FOREIGN
BROADCAST
INFORMATION
SERVICE

Daily Report

East Europe

FBIS-EEU-95-184
Friday
22 September 1995

Daily Report
East Europe

FBIS-EEU-95-184 CONTENTS *22 September 1995*

NOTICE: This volume contains a representative selection of material previously disseminated in softcopy format.

INTERNATIONAL AFFAIRS

Claes: NATO-Led Force Best Solution for Bosnia *[AFP]* 1

INTER-EUROPEAN AFFAIRS

EU Urges End to Croatian Offensive in Bosnia *[TANJUG]* 2
Independent Arbiter Suggested for Slovenes, Italians *[Ljuljana Radio]* 2

ALBANIA

Prime Minister Meksi Estranged From Berisha *[POPULLI PO 19 Sep]* 3
Assembly Dismisses Cassation Court's Brozi *[Editorial Report]* 3
Court Orders Resumption of Brozi's Suspended Cases *[Tirana TV]* 3
    Reportage on 'Illegal' Ruling *[Editorial Report]* 4
    Plenum Agrees With Ruling *[GAZETA SHQIPTARE 21 Sep]* 4
    PS Condemns Decision *[ZERI I POPULLIT 20 Sep]* 5

BULGARIA

Prime Minister Survives No-Confidence Vote *[Sofia Radio]* 6
Videnov, IMF's Kincaid Discuss Loan Agreement *[Sofia Radio]* 6
Pirinski Briefs Foreign Policy Commission *[Sofia Radio]* 6

CZECH REPUBLIC

Foreign Ministry Rejects Revival of CEMA *[DENNI TELEGRAF 19 Sep]* 7
Uhde, Bulgarian Defense Minister Discuss Balkans *[Sofia Radio]* 7
Property Fund's Ceska on Progress of Privatization *[EKONOM 13 Sep]* 7

SLOVAKIA

Ministry Urges End to Attacks on Bosnian Serbs *[Bratislava TV]* 10
Government Rejects CEMA Revival *[NARODNA OBRODA 20 Sep]* 10
Ministry Reiterates Wish To Join NATO, EU *[Bratislava Radio]* 10

HUNGARY

Kovacs Views Yugoslav, Romanian, Slovak Relations *[NEPSZABADSAG 21 Sep]* 12
Keleti Examines Path to Admission to NATO *[Budapest Radio]* 16
HSP Head Backs Horn, Preservation of Coalition *[Budapest Radio]* 17
MDF 'Ready to Control' Domestic 'Crisis' *[UJ MAGYARORSZAG 21 Sep]* 17

BOSNIA-HERZEGOVINA

Izetbegovic Presents Conditions for Bosnian Peace 19
  Three Conditions *[AFP]* 19
  'Free,' 'Undivided' Sarajevo *[Vienna Radio]* 19
Silajdzic States 'Offensives Will Continue' *[Mainz TV]* 20
Silajdzic Answers Questions at Bihac Open Meeting *[AFP]* 20
Sacirbegovic Commitment to Peace Process Viewed *[Sarajevo Radio]* 21
Bildt Sees Bosnia Settlement 'by End of Year' *[AFP]* 21
1st Corps Commander Views NATO Air Strikes *[VECERNJE NOVINE 11 Sep]* 22
Banja Luka District Citizens Asked To Join Army *[Sarajevo Radio]* 24
Army, HVO on Joint Results, Future Cooperation *[Sarajevo Radio]* 24
Karadzic: Russian Mediation 'Crucial' to Peace *[AFP]* 24
Serb President Krajisnik Receives Duma Delegation *[Pale TV]* 25
NATO Decision To End Air Strikes Discussed 25
  Koljevic Criticizes Bombings *[Banja Luka Radio]* 25
  Disappointment With 'Suspension' *[Pale Radio]* 25
Latest Order: All Must Stay in Banja Luka *[GLAS SRPSKI 18 Sep]* 26
Belgrade Press: Mladic Going to Banja Luka *[AFP]* 28

CROATIA

Tudjman Sets Parliamentary Elections for 29 Oct *[Zagreb Radio]* 29
Observers Think HDZ Will Win Majority *[VJESNIK 17 Sep]* 29
Granic, 'EU Troika' Envoys Discuss Bosnia *[Zagreb Radio]* 30
UN Accuses Zagreb of Forcible Return of Refugees *[AFP]* 31
UN Denied Access to Serbs Held in Sibenik, Zadar *[TANJUG]* 31
Weakness of Serbs, Role of Western Diplomacy Seen *[VECERNJI LIST 21 Sep]* 32
Osijek City Leader Switches to HDZ Party *[GLAS SLAVONIJE 24 Aug]* 33
Reorganization of Banking System Proposed *[BANKA Aug]* 35
Privatization Agency To Sell Firms at Discount *[BANKA Aug]* 36
Status, Views of Croatian Opposition Reported *[FERAL TRIBUNE 28 Aug]* 37

POLAND

Commentary on NATO Document on Extension to East *[RZECZPOSPOLITA 21 Sep]* 41
NATO Affordability, Tightfistedness Examined *[GAZETA BANKOWA 13 Aug]* 41
Agricultural Stumbling Block in EU Talks Viewed *[NOWA EUROPA 20 Jun]* 42
Presidential Candidate Piotrowicz Outlines Program *[Warsaw TV]* 44
Freedom Union Deputy on Election, Party's Future *[CZAS KRAKOWSKI 2 Aug]* 44
Oleksy on Government TV Access, Media Issues *[Warsaw TV]* 47
Majority: Church Should Stay Away From Politics *[GAZETA WYBORCZA 21 Sep]* 48
Official Meets Sejm Deputies, Views Privatization *[RZECZPOSPOLITA 20 Sep]* 49
Government Plan for Oil-Industry Privatization *[PRZEGLAD RZADOWY 1 Jun]* 49
Increased Quotas for Okhotsk Sea Fishing Sought *[GLOS SZCZECINSKI 12 Sep]* 56

ROMANIA

Iliescu, Montenegro's Bulatovic Begin Talks *[Bucharest Radio]* 58
Extremist Parties Presence in Government Condemned *[ROMANIA LIBERA 12 Sep]* 58
Justice Minister on Procedure To Ban UDMR *[ADEVARUL 14 Sep]* 59
Structure, Tasks of Privatization Agency *[MONITORUL OFICIAL 19 Apr]* 59

SLOVENIA

Commentary on Visit by U.S. Defense Secretary *[DELO 18 Sep]* 62

Drnovsek Proposal to Valentic on Piran Bay Viewed 62
  'Precondition for Everything' *[Ljubljana Radio]* 62
  General Traits of Proposal *[Ljubljana Radio]* 63
Debt Settlement to Paris Club Determined *[Ljubljana Radio]* 63

YUGOSLAVIA

Federal

Milosevic Discusses Peace Process With Bildt *[Belgrade Radio]* 64
Milutinovic: Most of Bosnia Issues Resolved *[AFP]* 64
Milutinovic: Location of Downed Pilots Unknown *[AFP]* 64
Commentary on Serb Withdrawal of Heavy Weapons *[Belgrade Radio]* 65
Government Criticizes Croatian Ethnic Cleansing *[Belgrade Radio]* 65
Article: Price Explosion Expected in Fall *[EKONOMSKA POLITIKA 7 Aug]* 66
Maintenance of Electric Power Industry Failing *[EKONOMSKA POLITIKA 7 Aug]* 67
Street Vendors To Be Banned From Belgrade *[EKONOMSKA POLITIKA 7 Aug]* 68

Serbia

Serb Radical Party Rally in Belgrade Viewed 69
  'Defend the Serb Lands' *[Belgrade Radio]* 69
  Seselj Condemns Milosevic *[AFP]* 69
Citizens Alliance Warns of 'Destabilization' *[NASA BORBA 21 Sep]* 70
Serbian Aid Officials View Refugee Situation 70
  In Country 'Temporarily' *[Belgrade TV]* 70
  International Appeal Issued *[AFP]* 70
'Split' Between Avramovic, Government Viewed *[EKONOMSKA POLITIKA 28 Aug]* 71

Claes: NATO-Led Force Best Solution for Bosnia

AU2109172895 Paris AFP in English
1702 GMT 21 Sep 95

[FBIS Transcribed Text] Madrid, Sept 21 (AFP)—The proposed sending of a NATO-led force to guarantee a future peace agreement in Bosnia would be the "best solution" for that country, NATO Secretary-General Willy Claes said here Thursday.

The operation should have a single command, set up by the North Atlantic Treaty Organisation, but should include troops from outside the alliance, he said.

Plans call for a force of up to 50,000 troops, with a large U.S. contingent and contributions from non-NATO states such as Russia, and Moslem countries.

"We could of course perfectly accept cooperation with non-NATO troops," said Claes, speaking at a joint press conference with Spanish Foreign Minister Javier Solana, after talks between the two men.

Claes also expressed satisfaction at the Bosnian Serbs' withdrawal of heavy weapons from around Sarajevo, but warned that if they did not respect the conditions laid down by the UN and NATO, "We are ready of course to intervene immediately."

The NATO leader met Wednesday with Spanish Prime Minister Felipe Gonzalez, for talks that centred on plans to expand NATO eastwards to take in new members in the former communist bloc.

At Thursday's press conference, Solana said Spain wished to "reaffirm our wish to see Russia play an important role in the defence structure of Europe."

Spain, which is a NATO member, currently holds the revolving presidency of the EU Council of Ministers.

EU Urges End to Croatian Offensive in Bosnia

LD2109170895 Belgrade TANJUG in English 1641 GMT 21 Sep 95

["Pool" item]

[FBIS Transcribed Text] Zagreb, Sept 21 (TANJUG)—The European Union demanded from Zagreb Thursday [21 September] to end the offensive operations of the Croatian regular army in Bosnia and Herzegovina.

The demand, in the name of the EU, was conveyed in Zagreb to Croatian Foreign Minister Mate Granic by the ambassadors of Spain, France and Italy.

The ambassadors warned that military actions against Bosnian Serbs had to cease as soon as possible, in order to speed up the peace process and prevent a humanitarian catastrophe, caused by the massive exodus of Serbs from the territory occupied by Croatian troops.

Regular Croatian forces and Bosnian Muslim and Croats launched, during NATO air strikes on Republika Srpska (RS), the state of Bosnian Serbs, a strong offensive on western and central parts of RS, forcing over 150,000 Serbs to become refugees.

The ceasing of Croat-Muslim offensive actions was demanded by the U.N. Security Council (several times), the USA and Russia.

Independent Arbiter Suggested for Slovenes, Italians

AU2209074995 Ljubljana Radio Slovenia Network in Slovene 1700 GMT 21 Sep 95

[Report by Edo Zitnik from Brussels]

[FBIS Translated Text] The essence of today's talks of [Slovene Foreign Minister] Thaler in Luxembourg was Slovene efforts to gain associate membership in the European Union. As is known, this has been practically frozen due to the Italian veto. Recent anything-but-diplomatic statements by Prime Minister Drnovsek that we would not allow Italy to blackmail us have made our situation even worse. In the talks with [Luxembourg Foreign Minister] Poos today, Thaler was considerably less flippant. He confirmed that the EU remains Slovenia's main foreign policy priority.

Reportedly, Thaler found an understanding partner in Poos, who is well acquainted with the problem of Slovene-Italian relations as well as with the unwritten rules of the EU. An additional reason that Poos listened to Thaler carefully lies in the fact that Luxembourg is the smallest country in the Union. It has to deal with formally equal but, in reality, considerably stronger partners daily, so to speak, and for that reason compromises are nothing new to it.

Poos's concrete suggestion for possible resolution of the Slovene-Italian dispute was an independent international arbiter. Poos recently informed the Slovene diplomacy about this proposal via Slovene Ambassador Zlobec; however, there was no response from Ljubljana. According to this proposal, Ljubljana and Rome would agree that a reputable international legal expert would rule independently on their dispute. His judgment would not have concrete international legal consequences, but it would bind both sides to accept his judgment, whatever it might be. As Poos could be understood to be saying, Italian diplomacy was also informed about the initiative and also did not reply to it. The situation with Thaler today was similar. He said only that Slovenia would study the initiative carefully.

From the reply of Prime Minister Drnovsek to Poos's initiative, it will be possible to conclude pretty quickly whether Ljubljana, despite recent pessimism, is still betting on the negotiations with Rome or whether it is willing to run the risk of a binding ruling by an international legal authority.

Prime Minister Meksi Estranged From Berisha

AU2009142795 Tirana POPULLI PO in Albanian 19 Sep 95 p 3

[Unattributed Report: "Meksi Away From Berisha"]

[FBIS Translated Text] What has happened to Prime Minister Meksi, who is so sought after by the legislature? His presence in the legislature would put an end to the boycott of the autumn session by the four opposition parties after the Cassation Court incident.

The prime minister was not seen at Rinas airport to see the president off to the United States, nor was he seen after his return to Tirana. The television announced that "the president was seen off and was received by the speaker of parliament and other members of the government." It is said that Meksi's absence is connected with Cassation Court events and that there was a conflict between him and Berisha at the Palace of Brigades during that time.

Assembly Dismisses Cassation Court's Brozi

AU2209121195

[FBIS Editorial Report] Tirana GAZETA SHQIPTARE in Albanian on 22 September carries on page 3 an 800-word report by Ilir Alia on the dismissal of Zef Brozi, chairman of the Court of Cassation, under the headline, "Parliament Approves Brozi's Dismissal." The paper also carries on the same page a 400-word interview by E.L. with Brozi, given in Tirana on 21 September, entitled "Anything May Happen to Me, But I, Zef Brozi, Will Not Repent."

Ilir Alia's report begins, "'The Albanian Supreme Court judge has acted in an illegal and unconstitutional manner,' the Constitutional Court confirmed yesterday, finally ruling in favor of the Council of Ministers' suit against Brozi. At the same time, it rejected Brozi's claim for the Council of Minister's demand to be declared outside the jurisdiction of the Constitutional Court. It took several minutes for Rustem Gjata, one of the seven members of the Constitutional Court, to read the decision that 'the acts of the chairman of the Constitutional Court in relation to the execution phase of final court verdicts have been illegal and anticonstitutional.' This verdict was also accompanied by the suspension of contestations, signed by Brozi and yesterday considered to be unconstitutional, that had been raised against court verdicts. "'The decision of the Constitutional Court is an attempt to raise the dead, because the consequences of the suspension orders signed by me were played out long ago,' was the first reaction of Brozi, who was informed of the Constitutional Court's decision in his office a few minutes later."

The report continues, "Only a few minutes after the decision of the Constitutional Court, a proposal from President Berisha reached the parliamentary deputies, 'to dismiss Zef Brozi from all his functions at the Constitutional Court because of his activities against the law and the Constitution and his serious violations of human rights and freedoms.' The voting was unanimous. Only the Democratic Party deputies were in the chamber and there were 73 votes in favor and none against." "Immediately after Brozi's dismissal, Avni Shehu was voted to be the new chairman of the Court of Cassation, with Zef Nika as his deputy."

Interviewed by E.L., Brozi states, "'I am sorry that the Nano case was so politicized as to turn many Democratic Party deputies against my decision to review the case at the Court of Cassation.'" Brozi continues, "'Legally there is no reason why the decision of the Constitutional Court should serve as a pretext to raise my case in parliament. Nevertheless, politics can do anything. Of course, the aim is to get rid of Zef Brozi as soon as possible.'"

Asked about earlier initiatives to remove his immunity from prosecution, Brozi states, "'The state machinery has wanted to put me in prison for months. However, I think that the Albanians realize that if a man is sent to prison who should not be there, then any Albanian may suffer the same fate. It is enough to be against the policies of the state, against the convictions of the despot, or against the interests of some dishonest mechanisms of the state today.'" Asked how he will "end up," Brozi states, "'I will end up as a citizen and a judge who fights for justice for others and for himself. Even when bearing on my shoulders all the spite of the despotic state of today. A judge and a doctor look at people as human beings. Nevertheless, if any further steps are taken against me, my reaction and my defense will be stronger.'"

Court Orders Resumption of Brozi's Suspended Cases

AU2209075995 Tirana TVSH Television Network in Albanian 1800 GMT 21 Sep 95

[Report by Armir Shkurti]

[FBIS Translated Text] Zef Brozi, as the Court of Cassation chairman, suspended many times the execution of decisions of the first instance courts, the Court of Appeal, and even of the Plenum of the Court of Cassation. This occurred in more than 200 cases. The Constitutional Court assessed that Brozi had the right to suspend only cases lasting up to two months.

Regarding the violation of this law, the Constitutional Court today decided:

[Begin Constitutional Court Chairman Rustem Gjata recording] To declare illegal and anticonstitutional the issuing of repeated orders to suspend the same civil decision of the court by the Court of Cassation chairman, as well as orders to suspend and oppose the decisions by the Court of Cassation Plenum. The execution of civil decisions, which have been suspended by repeated orders, should resume immediately. This decision is of a strict form and takes effect immediately. [end recording]

Just like two days ago, Court of Cassation Chairman Zef Brozi was absent when the decision against him was read out.

Reportage on 'Illegal' Ruling

AU2109065395

[FBIS Editorial Report] Tirana GAZETA SHQIPTARE in Albanian on 20 September on page 1 carries 1,000 words of correspondents' reports on the current conflict between the Court of Cassation and other state institutions, under the general headline "Constitutional Court Believes Arguments of the Council of Ministers and Procurator-General Dragoshi."

Under the headline "Today's Proceedings Over Nano 'Illegal,'" "Ed Fa." writes, "Only 19 hours before the plenum of the Court of Cassation was to meet to continue the trial of the imprisoned Socialist leader, the Constitutional Court yesterday called this act 'anticonstitutional.' The reading of about five typed pages in a few minutes removes any chance of Nano and his lawyers getting to the point of today's trial, which they have called his 'test of innocence.'" The Court bases its decision on the "anticonstitutional" behavior of the Court of Cassation on 26 July, in postponing a consideration of the Nano case until September.

Under the headline "Socialist Party: Constitutional Court Breaks the Law," "P. Re." says that the Socialist Party's parliamentary group has issued a declaration that states "The Constitutional Court has been put in the position of the presidential police. It has obeyed presidential and government orders in the most servile fashion." The party considers the decision "a shameful act against Fatos Nano."

In a report headed "Sanxhaku Also Attacks the Plenum," "E.L." writes that Fatos Nano's lawyer, Perparim Sanxhaku, has also criticized the Court of Cassation. "The plenum of the Court of Cassation accepted the demand of the procurator of the republic to postpone the Nano trial of 26 July and, instead of completing it within the legal deadline of 30 July, intentionally left a date beyond this period." Sanxhaku, nevertheless, "reserves his most serious accusations for the Constitutional Court, the Justice Ministry, and the Council of Ministers, which," he says, "have intentionally obstructed the consideration of the Nano case by the Court of Cassation."

According to "E.L.," the "The imprisoned Socialist leader's only legal chances remain the appeal of the Court of Tirana for a review of the final verdict, the Court of Cassation's recalculation of his sentence, and perhaps an appeal to the European Court at Strasbourg."

Under the headline, "Court of Cassation, the Final 'Mystery' before the Plenum," "E.L." reports that Zef Brozi, chairman of the Court of Cassation, had summoned an "urgent meeting" of the court's judges for the morning of the following day, 20 September, while declaring, "I can say nothing today, because everything will be decided tomorrow." The writer concludes, "In any case, the 'battle' between the verdicts of the plenum of the Court of Cassation and by the Constitutional Court is destined to come to an end today, not to say that it is already over. Whatever the urgent meeting of the court's judges today produces, the plenum has now been deemed 'illegal and anticonstitutional' by the Constitutional Court after the annulment of its decision of 26 July 1995."

Plenum Agrees With Ruling

AU2209075495 Tirana GAZETA SHQIPTARE in Albanian 21 Sep 95 p 1

[FBIS Translated Text] Tirana—"In agreement with the verdict of the Constitutional Court." It took only 30 minutes for the judges of the Court of Cassation, members of the plenum themselves, to be persuaded of the legitimacy of the verdict given by the Constitutional Court the previous day. The conclusion of yesterday's meeting, presided over by Zef Brozi, chairman of the Court of Cassation, sent home the lawyers of the imprisoned Socialist leader [Fatos Nano], and sent their client's files to the Tirana Court. A further communication from the Constitutional Court reached the Court of Cassation yesterday, stating that a decision will be announced today, on 21 September, on the demand of the Council of Ministers for "the acts of the chairman of the Court of Cassation regarding the execution of the final verdicts of civil courts to be declared illegal and anticonstitutional."

The final "mystery session" of the plenum of the Court of Cassation did not take long to unravel, having been declared "illegal" by the Constitutional Court on Tuesday afternoon. Yesterday morning, the plenum of all the judges of the Court of Cassation assembled under Brozi's chairmanship at an urgent meeting summoned the day before. The meeting ended without any comment apart from the official statement by the court spokesman that "the judges of the Court of Cassation recognize as legitimate the decision of the Constitutional Court and decided that the plenum will no longer meet to discusses cases on trial." Even though no details of the debate at yesterday's meeting have been announced, one interesting fact is that at the meeting of the plenum on 26 July the only vote against the postponement of the trial was that of Brozi himself. Although this has not been confirmed by the man himself, the fact that it was Brozi, of all the judges of the Court of Cassation, who himself foresaw the "anticonstitutionality" of the plenum after 1 August makes one think.

However, although the matter of the plenum was conclusively "buried" at the Court of Cassation yesterday, along with the Nano files that were sent at once to the Tirana Court, another document from the Constitutional Court arrived on Brozi's desk, this time not about the "Nano case" but the "Brozi case." According to reports from the Constitutional Court, a decision will be announced at 1400 [1200 GMT] in connection with the demand of the Council of Ministers "for the acts of the chairman of the court of Cassation regarding the execution of the final decisions of civil courts to be declared illegal and unconstitutional."

PS Condemns Decision

AU2209075795 Tirana ZERI I POPULLIT in Albanian 20 Sep 95 p 1

[Undated "statement" of the Socialist Party Presidency and Parliamentary Group: "The Winner Is the One Who Enjoys People's Trust"]

[FBIS Translated Text] Another shameful and antidemocratic act was perpetrated against the Socialist Party [PS] chairman and deputy Fatos Nano. The Constitutional Court decided not to allow the Cassation Court Plenum to judge Nano's case.

No more and no less, the Constitutional Court performed the role of the presidential police, just as it has done in many other cases in the past. With unprecedented servility it obeyed the presidential and government order: "Fatos Nano should not be freed at any cost!"

They did not stop at anything. They violated some laws and concocted others. They threatened and dismissed judges and prosecutors. They surrounded the highest institution of justice with police and secret service forces. They overlooked the opinions and demands of international institutions such as the European Parliament, the Interparliamentary Union, the Council of Europe, Amnesty International, the International Helsinki Federation. A few days after Berisha's return from the United States, President Clinton's suggestion for the strengthening of the institutional and political independence of the judicial system was forgotten. Other medieval and neodictatorial behind-the-scenes acts are being perpetrated.

But everything is in vain. Fatos Nano is neither broken nor humiliated. He has become a symbol of the democratic consciousness of all those who, whatever party they may adhere to, hate injustice. Benca [area where the prison is located] accuses:

—The one who is holding the medal of the thief Arsidi;

—The oil suppliers in Albania of the criminals Mladic and Karadzic;

—Those who sold Albanian arms and ammunition to Rwanda;

—The organizers of people trafficking from Asia to the Vlora and Pulia coasts;

—The unscrupulous dealers with Albanian children and girls;

—The government officials involved in corruption and plundering of the national wealth and public funds on roads, water pipelines, hospitals, and schools.

People know them very well, from the first to the last. They know their television grimaces and smiles. They know very well that it is they who hold Fatos Nano in prison so that they can continue on their road of corruption and crime. But Gjatas [Constitutional Court chairman] will not stay long in power. However hard President Berisha tries to postpone elections, they will take place some day. The free vote of the people will show to those violators of the human rights and political freedoms of the opposition, as it did on 6 November 1994, that democracy is not the property of only one person, or of one party, that it cannot be sold or bought with presidential and government decrees.

The longer the opposition chairman is kept in prison, the more the Socialist Party is provoked with the so-called legal means and arbitrary acts, by the concocted "legal" processes of the political-electoral dimension, the more is the policy of instability of the present state exposed.

Berisha's clan thinks that such a policy of conflicts is in his favor since he has the police and the secret police in his hands. Mr. Berisha and those who kowtow to him on the television must not forget: the winner is the one who enjoys the people's trust.

Prime Minister Survives No-Confidence Vote

AU2209103895 Sofia Khorizont Radio Network in Bulgarian 0828 GMT 22 Sep 95

[FBIS Translated Text] Dear Listeners, the voting on the no-confidence motion in the National Assembly just ended. At this moment the chairman of the Commission on Secret Votes is reading the official results:

[Unidentified commission chairman] A secret vote was held as a result of the motion to vote no-confidence in the prime minister of the Republic of Bulgaria.

The Commission on Secret Votes, composed by Mariela Miteva, Georgi Avramov, Dragomir Shopov, Georgi Yurukov, Georgi Georgiev, Valentina Krumova, Rumen Rusev, Monyu Khristov, Renfil Osman, Ivan Sotirov, and Anatoli Velichkov, announces the following results:

Some 232 National Assembly members participated in the secret vote. One hundred two National Assembly members supported the no-confidence motion and 130 opposed it [applause]. There were no empty envelopes, envelopes with more than one ballot, self-made ballots, or ballots without envelopes.

On the basis of the secret vote's results and Article 81, Paragraph 1, and Articles 89, Paragraph 1 of the Bulgarian Constitution, the National Assembly rejects the no-confidence motion submitted by the Union of Democratic Forces.

Thank you very much.

Videnov, IMF's Kincaid Discuss Loan Agreement

AU2109184595 Sofia Khorizont Radio Network in Bulgarian 1600 GMT 21 Sep 95

[FBIS Translated Text] Today, Prime Minister Zhan Videnov received Russel Kincaid, leader of the IMF mission to Bulgaria, at the end of his two-week visit.

According to a statement issued after the meeting, both sides gave a high assessment to what has been achieved so far: low inflation, a stable lev-dollar exchange rate, and a large foreign exchange reserve. They agreed that the prospects are very good for reaching a loan agreement with the IMF. Both agreed that the most important forthcoming tasks include the structural reform of the economy, linked with the mass privatization, and rehabilitating the banking system.

At the meeting, agreement was reached on the preparations to be carried out in the longer term.

Pirinski Briefs Foreign Policy Commission

AU2209084795 Sofia Khorizont Radio Network in Bulgarian 1600 GMT 21 Sep 95

[Report by Vladislav Ustoich]

[FBIS Translated Text] In the National Assembly today, a meeting took place between Foreign Minister Georgi Pirinski and the parliamentary Foreign Policy Commission. The meeting was arranged at the initiative of Asen Agov and Nadezhda Mikhaylova.

The discussion at the meeting covered fundamental issues of Bulgarian foreign policy, primarily the crisis in former Yugoslavia. According to Minister Pirinski, there are no changes in our position regarding the Yugoslav conflict. Parliament will probably come out with a further statement of its viewpoint, but none of the main elements of this position was disputed during the discussion.

Minister Pirinski briefed the deputies on his contacts with the United States and the EU on the issue of the restoration of the Balkans following the end of the conflict.

Other points raised at the meeting are as follows:

The Foreign Ministry, by and large, does not accept the idea of creating a second CEMA organization.

With reference to the case of Slavo Pashovski [Bulgarian UN representative in New York, originally sponsored by Union of Democratic Forces and just dismissed by government, despite President Zhelev's disagreement], Minister Pirinski explained the comprehensive position regarding the ambassadors, and said that he hoped to reach consensus with President Zhelev. He said that the Foreign Ministry has nothing against those ambassadors who perform their duties in a professional manner, irrespective of when and who appointed them.

In connection with the summit meeting in Ioannina, Minister Pirinski gave an assurance that, in parallel with the development of north-south transport projects, efforts will be made to develop east-west communications, that is, through Macedonia [The Former Yugoslav Republic of Macedonia—FYROM] to Albania.

On behalf of the Foreign Policy Commission, Asen Agov expressed their satisfaction with the meeting and confirmed that consensus had been reached on all the main issues. The only substantial difference of opinions concerned the Bailey case. The parliamentary opposition demanded a stronger rejection of the espionage aspects of the case.

Foreign Ministry Rejects Revival of CEMA

AU2109202895 Prague DENNI TELEGRAF in Czech 19 Sep 95 p 1

[Report by "CTK, hrb": "The Czech Republic Rejects Russian Proposal To Resurrect CEMA"]

[FBIS Translated Text] The Czech Republic rejects a Russian proposal to revive in a certain form the Council for Mutual Economic Assistance [CEMA] as a free trade and investment zone. Our daily was informed of this by Karel Boruvka, an official of the Press Department at the Foreign Ministry.

According to Foreign Minister Josef Zieleniec, the economic interests of the Czech Republic are clearly defined by its efforts to join the European Union. The decisive element is the acceptance of the regulations of the World Trade Organization. "The Czech Republic is therefore in favor of developing trade relations with Russia, which is our traditional partner in the economic sphere, but there is no need to institutionalize it," Zieleniec said. Poland also strictly refused the Russian proposal. The Polish Foreign Ministry spokesman said that "his country prefers integration with the West to cooperation with Russia."

The Russian proposal has been distributed over the past several days to seven European postcommunist countries (Albania, Bulgaria, the Czech Republic, Hungary, Poland, Romania, and Slovakia).

Uhde, Bulgarian Defense Minister Discuss Balkans

AU2209084595 Sofia Khorizont Radio Network in Bulgarian 1700 GMT 21 Sep 95

[FBIS Translated Text] A Bulgarian military delegation led by Defense Minister Dimitur Pavlov is on an official visit to the Czech Republic. Today, the first day of the visit, began with Defense Minister Pavlov meeting Milan Uhde, chairman of the Chamber of Deputies of the Czech parliament. Here is a report from Prague from our special correspondent Khristo Khristov:

[Begin Khristov recording] During the talks, which lasted more than half an hour, Minister Pavlov dwelt on the alarming situation in the Balkans. According to him, the main risks for Bulgaria's security are the regional instability, the imbalance in the armaments of the countries in the region, and the lack of control mechanisms on the territory of former Yugoslavia.

Later Minister Pavlov was welcomed with military honors before his meeting with his host, Czech Defense Minister Vilem Holan. The two ministers later signed many agreements on cooperation between the two Defense Ministries. The agreements placed the accent on the main directions for cooperation in the military-economic field, on contacts between representatives of headquarters staffs and the troops of the two armies, on the training of personnel for the needs of the UN peacekeeping forces, and on joint participation in exercises held within the framework of the Partnership for Peace initiative.

At the news conference following the signing ceremony, in answer to the question of whether Bulgaria wants to be one of the first countries to join the NATO structures, Bulgarian Defense Minister Pavlov emphasized that this was not a sporting contest but an extremely serious strategic decision. In this sense, he said, the deadlines can only be determined bilaterally. It is not an issue of strong emotional desire, Minister Pavlov stressed, but of practical actions and economic factors. [end recording]

Property Fund's Ceska on Progress of Privatization

AU2109150195 Prague EKONOM in Czech 7-13 Sep 95 No 36, pp 15-17

[Interview with Engineer Roman Ceska, chairman of the Executive Committee of the National Property Fund, by Eva Klvacova; place and date not given: "The First Owner Is Not Necessarily the Final One"]

[FBIS Translated Excerpt] How far is it to the finish line of the privatization process? Can we speed it up? At what cost? How did the National Property Fund concept change? Are we privatizing efficiently? What can be done about the purchasers of privatized property who do not pay up? We asked Engineer Roman Ceska, chairman of the Executive Committee of the National Property Fund, these and other questions.

[Klvacova] How much property do you actually have left to privatize?

[Ceska] I assume that you are referring to large-scale privatization. Property of a total book value of 938 billion korunas [Kc] was earmarked for large-scale privatization, and approximately Kc344 billion remains to be transferred—that is, a little more than one-third.

[Klvacova] Could you describe in more detail the structure of the property that remains to be privatized?

[Ceska] All property can be classified in two basic groups—property where the transfer depends solely on the ability of the National Property Fund to implement the adopted decision, and property where additional state administration's conceptual decisions must be adopted first, and only then can the National Property Fund start its privatization. I have all of the strategic enterprises in mind, the fate of which remains to be decided—the distribution networks, banks, refineries, etc. The volume of this property or, more precisely, the volume of its parts in temporary or "permanent" ownership of the National Property Fund amounts to Kc161 billion. The former part is property worth Kc36 billion that will be transferred payment-free, as it were—that is, restitutions, free transfers of property and shares to cities and communities and other recipients. Property worth Kc105 billion—again of the former part—is left for the standard methods of sale. Next is property the privatization of which has not yet been decided. The fund has not yet assumed possession. It also belongs to the first group, and there is approximately Kc42 billion worth of it. [passage omitted] While there is a little more than one-third of the total property designated for privatization left to complete the privatization process, by the standard methods the remainder amounts to almost 60 percent. [passage omitted]

[Klvacova] How large is the staff of the National Property Fund? Ill-wishers have it that there are more than enough of you.

[Ceska] There are as many as we need. The budget is for 309 employees.

[Klvacova] These 300 employees could be described as the internal circle to look after large-scale privatization. How large is the external circle that consists of external firms and regional offices?

[Ceska] We have conducted tenders in which we selected firms for six areas—public auctions, open competitions, debt-collecting, property administration, economic consultations, and legal consultations. There were 269 applicants, and we selected 14 firms for auctions, three for competitions, 16 for collecting, 30 for property administration, 37 for economic consultations, and 33 legal firms. [passage omitted]

[Klvacova] It is not rare to hear claims that the firms you are using are very expensive, which translates to cheating the state on privatization revenues. [passage omitted]

[Ceska] I insist that, while the expenditures on firms we use are higher than they used to be when we used lump sum remuneration, a multiple of the higher cost comes back in revenues. [passage omitted] From the point of view of foreign relations, our firms are very cheap. If we pay in the large property open competitions and auctions 1 to 2 percent of the sale price, and for small property 3 percent, it is very reasonable. Private customers pay 3-6 percent. [passage omitted]

[Klvacova] Do you have any idea of the total sum you will pay these firms?

[Ceska] I believe that the total sum will not be all that drastic. Tomas Jezek used to estimate it at Kc300-400 million, and I think it will not be that much. I would say that the total amount could be approximately Kc250 million. Nevertheless, I am convinced that it will be money well spent.

[Klvacova] Why?

[Ceska] The claim that the outside firms would not help us sell at higher prices is simply wrong. The firms have many possibilities for manipulating the price, and they are interested in the highest possible and, at the same time, realistic prices. [passage omitted]

[Klvacova] Nevertheless, one could say that the outside firms will be just as unable to deal with the information monopoly of the management as any employee of the National Property Fund. If the management of the enterprise does not wish to release correct information, it simply does not do it, and the possibilities for obtaining other, independent, information are very limited.

[Ceska] That is true, but there are some possibilities, and the outside firms have more time and, above all, interest in making good use of these possibilities than an employee of the fund. I claim that the first reserve these firms could uncover is the documentation for investors. Another reserve is in the number of addressed potential investors. I say that the firms have an existential interest in addressing as large a circle of people as possible. Unlike us, they seek ways of getting closer to the investors. [passage omitted] We try always to publish the sales in HOSPODARSKE NOVINY. Nevertheless, that is not enough. [passage omitted]

Then, I believe, there is the third reserve. The property must be prepared for transfer, and it is precisely the outside firms that facilitate this. It is very important. This helps us in solving—I do not say solve—the problem of nonpayers. When I assumed office, it was beyond belief: The revenues from open competitions amounted to some Kc8.5 billion, and overdue claims amounted to Kc3 billion. This means that every fourth koruna was unpaid. This was not caused by someone being a criminal and stealing. Many recipients encountered objective problems in assuming ownership of the property. So, they paid two, three, or six months late. This was simply because the property was not checked and prepared for the transfer in advance. We are losing a lot of money because of late payments. [passage omitted]

[Klvacova] You follow the price coefficient as the ratio of the calling price and the final price. Is there a trend in the way it is developing? Possibly a favorable one?

[Ceska] I do not believe so. There are tremendous jumps in both directions. In 1993, the value was 0.7. In 1994, we attained a much more favorable value of 1.3, and, over the first five months of 1995, we dropped back to 0.7. The value of the coefficient is tremendously influenced by the property being sold. [passage omitted]

[Klvacova] There was an unwritten principle adopted once that the domestic buyers would be charged the book-value price, while the foreign buyers would have to pay the market price. It was expected to be an advantage for the domestic buyers. The opposite, however, proved to be the case. The result was discrimination against domestic buyers.

[Ceska] That is correct. [passage omitted]

[Klvacova] The high prices domestic buyers had to pay have been reflected in difficulties in financing the purchase. You still have many nonpayers of old date, and a new one is occasionally added. What about them? It is by far not always an unwillingness to pay but, rather, the inability to do so. Even if the enterprise is profitable, to pay the credit off in four years is economic suicide.

[Ceska] There is some truth in what you say, but it is not always so. Many recipients are trying to trick us. Many of those who had property restituted, for instance, have the best conditions, received some of the property free, and have an advantage over the others. They are explaining their circumstances to me, and I get the impression that they are good and decent people, who do all they can. Subsequently, I learn, for instance, that they have not even applied for credit from the bank. [passage omitted]

Strong measures like cancellation of the contract help. The volume of overdue debts has declined. Although our revenues grow, claims drop. When I assumed office, overdue debts amounted to 12 percent of total revenues, while today the figure is is 7.6 percent. [passage omitted]

[Klvacova] We are discussing the standard privatization methods. A substantial part of the formerly state property was privatized by means of investment points [coupons]. Following coupon privatization, which actually was more denationalizing than privatizing state property, the management has been fighting with the [privatization investment] funds. This is not very beneficial for the enterprises. What can be done now?

[Ceska] First, if we did not introduce coupon privatization and used only the standard methods, many enterprises would still be under state ownership, and the situation would be worse. Just take a look at Poland. The half of the economy that is private finances the losses of the state enterprises. It is important that you do not have the burden of state enterprises.

Secondly, I am not at all so skeptical regarding the activity in the enterprises. The absolute majority of them change the production structure, and only a few remain unchanged. [passage omitted] Of course, the ownership structure will continue to change. After all, we have never said that we seek the best owners. We said that we look for the first owners. The first owner is not the final one.

Ministry Urges End to Attacks on Bosnian Serbs

LD2109192995 Bratislava VTV Television in Slovak 1800 GMT 21 Sep 95

[FBIS Translated Text] In the context of the latest and, it needs to be said, positive developments in Bosnia, particularly in the Sarajevo area, the Slovak Foreign Ministry, represented by Slovak Foreign Minister Juraj Schenk, has issued this statement.

[Begin Schenk recording] The Slovak Foreign Ministry holds the view that the military operation against the positions of the Bosnian Serbs in Bosnia-Herzegovina has forced all of the parties involved in the conflict to accelerate the peace talks. In any case, we believe that it is not possible to allow the world community's peacekeeping forces to become one of the sides to the conflict.

From the beginning of the crisis in the former Yugoslavia, the Slovak Republic has always supported a balanced and unbiased approach to all of the parties involved in the conflict. We emphasize that it is necessary to cease all military actions with immediate effect and resume intense political talks. The objective is to round off the peace process with an international summit. [end recording]

Government Rejects CEMA Revival

AU2109161195 Bratislava NARODNA OBRODA in Slovak 20 Sep 95 p 1

[TASR report: "Slovak Ministry of Foreign Affairs: Trade Yes, Revival of CEMA No"]

[FBIS Translated Text] Bratislava—The Ministry of Foreign Affairs recently received material from the Ministry of Foreign Affairs of the Russian Federation proposing the revival of the trade-economic relations between the Commonwealth of Independent States [CIS] and seven countries of Central and East Europe. This document is currently being studied by the individual economic sectors. We emphasize that the Slovak Republic is interested in bilateral economic cooperation with the Russian Federation and other countries of CIS, which we assess so far as developing favorably and showing good prospects. The priority of the Slovak Republic in the sphere of multilateral economic cooperation is integration into the EU, expansion of free trade in the Central European region within the framework of CEFTA [Central European Free Trade Association], and active membership in the World Trade Organization. If someone contemplated the creation of some new or a revival of the former Council for Mutual Economic Assistance [CEMA], it would not correspond to the aforementioned foreign political orientation of the Slovak Republic, and such endeavors would be rejected. Ministry of Foreign Affairs spokesman J. Matejovsky presented this stand.

[Bratislava SME in Slovak on 20 September on page 2 adds: "At the news conference following the 39th Session of the government Cabinet, Slovak Economy Ministry spokesman J. Sucha responded to a SME question of whether the government was dealing with the Moscow proposal to form a free trade and investment zone by saying that no official proposal had come. 'If, however, a proposal to create a free trade zone came, we would certainly welcome it. It is in our interest to create free trade zones,'" he added.]

Ministry Reiterates Wish To Join NATO, EU

LD2109150995 Bratislava Rozhlasova Stanica Slovensko Network in Slovak 1000 GMT 21 Sep 95

[FBIS Translated Text] We have already informed you that Slovak Foreign Minister Juraj Schenk has been on an official visit to Belarus over the past two days. Back in Bratislava this morning, he held a news conference on the subject of security policy. Here is Jozef Rebo with the latest from the Slovak Foreign Ministry:

[Begin recording] [Rebo] Juraj Schenk began by stressing that the subject of Slovak security policy is significant, primarily on account of U.S. Defense Secretary William Perry's important visit to Slovakia a few days ago as well as the fact that discussions culminated yesterday in the approval of a report on NATO expansion.

Juraj Schenk said that, in connection with this important news, he wanted to express pleasure and satisfaction about the fact that such a highly significant step had been taken. He also told journalists that Slovakia would proceed intensively with consultations concerning this question, both at the level of our representatives at NATO in Brussels and, as has been agreed, with another NATO delegation that is to visit Slovakia.

Juraj Schenk went on to say:

[Schenk] I would like to stress that our foreign policy orientation toward membership in NATO, the Western European Union, and the European Union is an unchangeable and indisputable priority of our foreign policy and has been the pillar of it ever since Slovakia came into being. We realize, of course, that the expansion of NATO is dependent on a political and geopolitical decision.

We have stated our determination to join NATO as soon as possible, but obviously this depends on how the whole process is going to develop. Although there is a certain connection between our joining the European

Union on the one hand and NATO on the other, these two decisions are not bound together clearly and explicitly. That is why the Slovak Republic is prepared, should the situation arise, to join NATO before it is accepted into the European Union.

Kovacs Views Yugoslav, Romanian, Slovak Relations

AU2209071295 Budapest NEPSZABADSAG in Hungarian 21 Sep 95 pp 1, 6

[Interview with Foreign Minister Laszlo Kovacs by Pal Lederer and Attila Seres; place and date not given: "Kovacs: The Basic Treaty Cannot Be Substituted by a Political Statement"]

[FBIS Translated Text] I hope that the opposition does not think, either, that we should impose our will on our neighbors by force, Foreign Minister Laszlo Kovacs said. According to Kovacs, the foreign policy of a small country is more effective if it is based on consensus; he feels that this support continues to exist regarding the goals, but the chosen methods and means are debated. Our correspondents interviewed Kovacs on the situation of our region and Hungary within it.

[NEPSZABADSAG] The south Slav crisis along our southern border is a more worrying source of tension than anything else. Did the foreign policy leadership expect such a long protraction of the conflict? And generally, what effects does the war have on Hungary's interests?

[Kovacs] The south Slav crisis has an undoubtedly negative effect on Hungary and it is a constant source of danger as regards Hungary's security. The military conflict carries the possibility of expansion. This danger is especially worrying today when Serbian and Croatian troops are facing each other in the immediate vicinity of our border. The losses caused by the embargo are the other negative effect of the conflict; they have already exceeded $2 billion. The third is an indirect harm but we must also take this into account: The crisis has a negative influence on views on Central Europe. Entrepreneurial and investment inclinations directed to this area have decreased. It is Hungary's immediate interest for the conflict not to spread into its territory, and our more distant interest is for the crisis to gain an overall political settlement. The idea of a Budapest south Slav conference came from this desire. Although, due to other settlement plans, this conference is not on the agenda, the proposal increased our international prestige because we urge fast and overall settlement.

As for the crisis being drawn out, yes, we had expected this. We analyzed the situation immediately after the coalition was set up, we drew up the possible ways it could change, and worked out our responses to be given to these.

[NEPSZABADSAG] Why did we have to wait so long before a Hungarian settlement proposal was made?

[Kovacs] From a certain point of view, a new phase began in the south Slav crisis when Croatia started to restore the country's full sovereignty in western Slavonia with military force. I note that regardless of when we had made this proposal, the chances of implementation would have been more or less the same. We definitely have to take into account that the organizations which in one way or another have already become involved in the settlement, argue that too many organizations are dealing with it and we should not increase this number. I do not feel that we were late with this initiative because there will be plenty to discuss even after peace is restored.

We Are Neutral

[NEPSZABADSAG] We feel that although in words Hungarian diplomacy is very careful about maintaining the appearance of neutrality in the south Slav crisis, in essence, it seems to be drawn toward Croatia. Example: In connection with the atrocities commited during the reoccupation of the Croatian krajinas, Hungarian diplomacy did not speak up forcefully enough, and it is silent now, too when, in the shadow of the NATO bombings, the Bosnian-Croatian forces are trying to create ready situations on the Bosnian map.

[Kovacs] We have very many times expressed our stance that the crisis can only be settled with political means and talks, we do not consider acquisition of territory by military means acceptable, and we condemn ethnic cleansing and all forms of changing the ethnic proportions. These equally apply to the events and attitudes in Bosnia, Croatia, or Yugoslavia. Hungarian foreign policy does not discriminate. I firmly believe that Hungarian foreign policy is impartial, and this impartiality has not at all been questioned either by Zagreb, or by Sarajevo, or Belgrade. If the attitude of our current government is seen to be impartial by these three capitals then it indeed is impartial. As a matter of fact, when the Croatian offensive was started in western Slavonia or the attacks against the Knin krajinas, I immediately contacted Croatian Foreign Minister Granic, not only as Hungary's foreign minister but also as the OSCE's chairman in office, and the role this organization can play in solving the human rights and refugee issues was examined in coordination with him.

[NEPSZABADSAG] Are you not worried that Hungary's NATO membership can become a victim to the superpowers' deal in connection with the Balkan settlement?

[Kovacs] I honestly hope and believe that this will not have an effect on Hungary's euro-atlantic membership because I cannot see a direct link between the two issues. Naturally, if the crisis is settled, the membership chances of the region's countries, including that of Hungary, will increase.

[NEPSZABADSAG] Can you not see a superpower deal being outlined in the background according to which the Russians would give up the idea of creating a Greater Serbia and the Americans, in exchange, would—at least temporarily—abandon NATO's expansion?

[Kovacs] I cannot see any signs of such a deal and I do not think it likely, either. Naturally, I consider NATO's expansion to be a very complicated process in which many interests have to be adjusted. This is one of the reasons it is so difficult to predict the schedule of NATO's expansion, at least more difficult than that of the European Union.

[NEPSZABADSAG] According to political analysts, as a NATO member, Hungary could also find itself in an uncomfortable situation because, as a border country, it could be confronted with the neighboring countries.

[Kovacs] If one day Hungary becomes NATO's member state and some of its immediate neighbors are not members, then Hungarian foreign policy will have to be especially cautious and careful to avoid irritating the neighbors. I hope that this will be so. We can see many examples of NATO members fostering very good relations with their non-NATO member neighbors. I emphasize that it is not in Hungary's interest to join NATO and the EU possibly alone in its region. It is in our interest for as many states of the region as possible to meet the requirements and to be able to join, together with us. We want to promote rather than hinder the accession of others which, of course, does not mean that we intend to wait until the conditions are ripe in all countries.

[NEPSZABADSAG] Then all we need is for Russia to realize the need for NATO's eastern expansion.

[Kovacs] When in March 1995 Prime Minister Gyula Horn and I visited Moscow, we explained the Hungarian views on NATO's expansion and the reasons for our intention to join it to President Yeltsin, Prime Minister Chernomyrdin, and Foreign Minister Kozyrev. They showed the necessary good will for the Hungarian reasoning and Yeltsin said that he was not worried about Hungary's NATO membership having a negative effect on bilateral relations. Therefore, they did not object to Hungary's membership and I have not heard any Russian arguments concretely against Hungary's membership since.

[NEPSZABADSAG] And what is the situation with the international image of Hungary's foreign policy?

[Kovacs] I paid an official visit to the United States in spring 1995 and, at our joint news conference, my colleague Warren Christopher emphasized three things about Hungary: the stabilization program, the determination for conciliation with the neighboring countries, especially highlighting the Hungarian-Slovak basic treaty, and our work in connection with being the OSCE's chairman in office. I can hear similar opinions from others, in the centers of the EU and NATO: The image of Hungarian foreign policy is positive.

[NEPSZABADSAG] The public has some concerns regarding relations with our neighbors.

[Kovacs] According to public opinion polls in the past 15 months, this is one of the most successful areas of the government's activity. However, let us look at the facts. We can list Hungary's neighbors in three groups. The first group includes the four countries—Austria, Slovenia, Croatia, and Ukraine—with which we have not inherited any problems from the previous government. Our goal is to continue to foster relations with these countries. We have made new agreements—for example, a national minority agreement with Croatia—and we have tried to solve the arising problems. With Ukraine, we are having talks on how we could stop the negative factors—crime, terrorism, illegal labor, and black market trade—concomitant with the increasing turnover. With Austria, we are working on how to eliminate the problems arising from their membership in the Schengen agreement. Therefore, we do not really have any problems in connection with these countries.

[NEPSZABADSAG] But we do have some with Slovakia and Romania.

[Kovacs] We inherited serious tensions in Hungarian-Slovak and Hungarian-Romanian relations, and we have considered the easing of these to be our most important task, together with establishing the bases for expanding our relations. In respect of both countries, these goals raised the need to draw up a basic treaty, especially since Pozsony [Bratislava] and Bucharest made this a condition for improving relations. Accordingly, we started talks on the basic treaty with Slovakia and finished them in a relatively short time. We are convinced that this document, in addition to ensuring a favorable basis for bilateral cooperation, also provides legal framework for asserting the rights of the national minorities living in our countries. The national minority protection section of the treaty was based on three international documents: the 1992 declaration of the UN General Assembly, the Copenhagen documents of the Conference on Security and Cooperation in Europe, and Recommendation No. 1201 of the Council of Europe's Parliamentary Assembly. When the treaty comes into force, namely when the Slovak parliament ratifies it, the stipulations of these three documents will become legal obligations, which means that failure to comply with them or their violation could be punished. We have not before had such tools in bilateral relations and in asserting the national minority rights in Hungarian-Slovak relations. The opposition vehemently attacked the basic treaty and tried to delay its parliamentary approval, but now it is questioning why the stipulations of the document have not yet been implemented in bilateral relations. At the same time, the Hungarian parties in Slovakia recognize the value of the basic treaty and they have recently been urging for its ratification in the Slovak parliament. In my view, their opinion on this issue has a greater importance than that of certain Hungarian opposition politicians.

Treaties on Similar Bases

[NEPSZABADSAG] The truth is that Slovakia's Hungarians have never said that this is a good treaty. They rather reconciled themselves to it, and now they are saying that, once the document, on which they had only been asked formally, was formulated, it should at least be implemented.

[Kovacs] We held discussions with representatives of Slovakia's Hungarians on the treaty on 17 occasions; therefore, our desire to have them involved in formulating the text was not formal. They indeed were unable to have a more direct influence on the document because the Slovak side rejected the Hungarian proposal to allow the minorities also to be present at the talks. In connection with opinions on the treaty, it might be enough to remember what Bela Marko, chairman of the Democratic Union of Hungarians in Romania [UDMR] said at the time, namely that they would be satisfied with a document similar to the Hungarian-Slovak basic treaty.

[NEPSZABADSAG] The other sensitive point is Romania.

[Kovacs] We want to reach agreement with Romania on a similar basis, namely we regard as a key issue the need to include the international and European documents that sum up the national minority rights as legal norms into the basic treaty. This is precisely the issue that the Romanian side has constantly refused so far, and this is the reason behind failing to finalize the treaty. Of course, in addition to this, there are some other open issues, like the use of mother tongue, the right to found political parties, or verification of observing the treaty, but it seems that the inclusion of the aforementioned three international documents is the real obstacle. At the beginning, they did not even want to mention these documents; today, they already agree to perhaps mention these documents in the addendum of the basic treaty with the formulation that the two sides "will take them into consideration." [Romanian Foreign Minister] Melescanu tried to present this as a compromise recently; for me, however, this proves that the two UN, OSCE, and Council of Europe member states are ready to consider these international documents they also signed in shaping their policy toward national minorities. In view of the fact that the scope for maneuvering of the Romanian Government is rather limited on these issues and that there will be local and parliamentary elections in Romania soon, the agreement does not seem to be close. Therefore, parallel with the basic treaty negotiations, we are trying to reach agreement on a series of concrete issues. The Hungarian-Romanian trade turnover is developing quite fast, and it exceeds $300 million a year. We signed a series of agreements, and some new border crossing points have opened. The regular contacts between the two armies are important for confidence. A hot line will be set up between Budapest and Bucharest. Thus, the opinions according to which the Hungarian-Romanian relations contain the danger of a new Bosnia are quite exaggerated, opinions mostly heard in the West. On the contrary, the bilateral contacts are increasing and are strengthening the chances of a historical reconciliation.

[NEPSZABADSAG] While we signed a series of agreements with Slovakia and Romania, these two countries took alarming measures that harm the situation of the ethnic Hungarians living there.

[Kovacs] Our position on this is the same as that of the opposition. It is alarming that the bill on safeguarding the state language is on the table of the Slovak parliament. They are planning to introduce the so-called alternative education, something that would limit education in the people's mother tongues. Directors of quite a few Hungarian schools have been fired. The Hungarian diplomacy reacted to these steps in a very firm way, and perhaps not without success. The Slovak language bill essentially differs from the first version, and we hope for further refining of the text and making it compatible with Europe. They have postponed the introduction of the alternative education, of course not only as a result of pressure from the Hungarian foreign policy but also as a result of parents' objection.

As for the Romanian measures, the acceptance of the education law is most harmful for the ethnic Hungarians living there, a law that greatly limits the present conditions of studying in their mother tongue. What we have succeeded in attaining in this matter is that, this year, they still made it possible for students to take university entrance examination in the language they studied in school. The Romanian side also accepted the Hungarian initiative to let the two countries' experts review the possibilities connected with the implementation of the aforementioned law. My feeling is that Romania has not yet uttered its last word in this matter, even if I do not think that they will abolish this law in the near future.

[NEPSZABADSAG] By the way, has President Iliescu's recent statement arrived here, a statement in which he offers a historical reconciliation? Perhaps this good-sounding initiative serves to get rid of the basic treaty.

[Kovacs] If the Romanian leadership wants to use this statement by Iliescu to convey to the world the image that bilateral Hungarian-Romanian relations are developing in a positive direction even if the basic treaty cannot be signed yet, we agree with this intention. We also think that bilateral relations must be released from the captivity of the basic treaty issue. Nor is it difficult to agree with the idea of historical reconciliation, because the program of the Hungarian Government was based on this from the outset. As for the concrete proposal, we do not yet know its content, because we have not yet received it. We only have Iliescu's speech that only formulates the Romanian intentions in general. It transpires from this that Iliescu is suggesting a political solution, something that would not be legally compulsory. Although the political statement he suggests would be supplemented by an attitude code toward national minorities, its legal status does not transpire from the aforementioned speech. We are waiting, therefore, for Romania to express the proposal in detail and in a form that can be treated by diplomacy. Hopefully, this will happen soon. Besides, we can also accept such a political statement, by stressing that this does not replace the basic treaty, because this is an international legal document that must be included in the domestic legal system; in other words, it is obligatory and has sanction rights. All this does not apply to a political statement.

[NEPSZABADSAG] And the third group of countries?

[Kovacs] Only one country, namely Yugoslavia, belongs here. The relations with our southern neighbors are special in the sense that this country is under a UN embargo, mostly for its previous role in the Yugoslav crisis. We observe the rules set up by the United Nations, even if they provide an extremely narrow framework for bilateral cooperation. We hardly exceeded the level of maintaining contacts in the past year. We had to preserve our communication channels in order to have a dialogue with Belgrade at all. Without this, we would be unable to promote a solution to the crisis and our chances of staying out of the conflict would decrease. In the past, and especially in recent weeks, the Hungarian diplomacy placed considerable weight on stressing its neutrality in the conflict. Of course, we also made use of the aforementioned communication channel when the forced settling of people began in Vojvodina. We took a stand against this, and we obviously played a part in halting the use of force. Now, in bilateral contacts and in international forums, we are trying to make sure that the current situation, in which the ethnic proportion in Vojvodina has changed in the detriment of the ethnic Hungarians living there, is only temporary.

The Consensus Can Be Preserved

[NEPSZABADSAG] Recently, the opposition parties have been strongly criticizing the Hungarian Government's foreign policy, especially the prime minister's certain foreign policy steps. The opposition claims that the practice differs from the program and that the government has abandoned the previously declared coordination. What do you accept from this criticism, and what is in it that you do not agree with? What does the foreign policy leadership want: a coalition political activity or six-party coordination?

[Kovacs] The more a small country's foreign policy is based on consensus, the more efficient it is, and I mean here not only the support of the parties but also the support of the public. As for our foreign policy goals, I think the consensus is unchanged; there is argument on choosing the methods and the means. The claim of the opposition that the government has deviated from the goals it set out in its program is not true. They also criticize us for not taking a sufficiently firm stand in defending the interests of Hungarians living beyond our borders, while they know well that Hungarian foreign policy has limited means for that; I hope that the opposition does not think either that we should force our will on our neighbors. Loud tones and attitudes that create tensions do not receive international support. I cannot accept the opposition's tactics the essence of which is that they criticize the government by starting from untrue claims, and I could cite numerous examples of this.

[NEPSZABADSAG] In your view, is there any possibility of restoring the six-party consensus?

[Kovacs] I regard the establishment of consensus as a process, also as an opposition politician. Consensus is not something given once and for all; it must be constantly recreated in concrete issues. As for the goals, I repeat that I do not think the consensus has broken up. Just like in the past, I continue to be ready for six-party coordination in the framework of the parliament's Foreign Affairs Committee or in any other form. I would like to stress that the Hungarian foreign policy can only be realistically evaluated on the basis of the close interaction of various directions of activity. Obviously, our scope for maneuvering is limited in eastern-central Europe by mostly unfavorable directions. The strengthening of nationalist trends is an unfavorable development, and the Yugoslav conflict is a dangerous insecurity factor. All this diminishes the chances of this region for euro-atlantic integration. At the same time, it is also true that precisely this membership in the euro-atlantic community would represent the long-term solution to these unfavorable processes, and this membership would help best the stability and modernization of this region. This means that Hungary, a country that wants to join the EU and NATO, must behave in a European way toward its neighbors as well. The opposition should also be aware of the fact that only such a foreign policy that possesses some kind of internal harmony is capable of really serving the interests of this country and this nation.

Keleti Examines Path to Admission to NATO

LD2109192395 Budapest Kossuth Radio Network in Hungarian 1630 GMT 21 Sep 95

[Interview with Defense Minister Gyorgy Keleti by an unidentified program announcer; in the studio—live]

[FBIS Translated Excerpt] [Passage omitted] [Announcer] If we think of technology, harmonization—that is to say of the two systems of military technology—obviously costs a great deal. What concrete help, money, can we expect? And what is the Hungarian Army capable of? How will it be able to adapt?

[Keleti] It will cost a great deal, but not just because of NATO membership. If we really want a modern army, and if we were to do it independently of our plans connected with NATO, that would also be expensive. Nevertheless, the question of what help we will get is extremely important. The Americans consider the issue of the direction of airspace supervision to be very important, first and foremost; and within this, naturally, military development. And in this regard we have a very concrete promise: within a very short time they will commence—naturally with our help—the modernization of the Hungarian military air control center, at a cost of $6.25 million. In effect, that will create the basis for what parliament decided a few days ago, namely that we will replace the locator system, which observes Hungarian airspace, which carries out airspace control, with modern equipment. And with this we will not only be adopting West European and NATO norms but we will also be establishing unity of civil and military airspace control.

[Announcer] This is the 10-year program, which will be divided into two phases. Even so, it seems rather long.

[Keleti] The 10-year program concerns first and foremost the repayment, for which we would like to have 10 years, that is to say that we should get a kind of repayment respite. What we want in the first half of the program, by 1998, is to obtain and install the modern equipment; in other words, from 1998 onward we should be able to withdraw from the system of airspace supervision which has been in the army for 25-30 years, built on Soviet technology of the time.

Another thing that is very important in respect to joining NATO is how we can resolve telecommunications; in other words, whether we will be able to procure within a short time the equipment that will ensure the direction of the troops. Here too we must look ahead, and we will probably procure a NATO-compatible system. And if we reach that stage in joining NATO then it is also not a matter of indifference that units cooperating with NATO—even at the stage of Partnership for Peace, but particularly later on, in the period of full membership—should be able to set up telecommunications links with each other. [passage omitted]

[Announcer] There doesn't seem to be any major difference of opinion among the politicians over whether Hungary should become a member of NATO or not. However, it is possible to hear opinions from extraparliamentary forces saying that Hungary should remain neutral. [passage omitted]

[Keleti] It is true that there is total consensus among the parliamentary parties on this issue. [passage omitted] Naturally, there are political forces outside the parliament—and here I would mention first and foremost the Workers' Party, which opposes our joining NATO. I believe that here we must very clearly weigh up the advantages and disadvantages which go with joining. However, one of their main arguments is that the country would lose its sovereignty. I think that those who believe this are still thinking in the old Warsaw Pact structure, where politics did indeed have to be subordinated to these kinds of alliance interests. But if one takes a more thorough look at NATO as a military political organization, one will see that national sovereignty also remains in place, but at the same time there is maximum consideration of a common security interest. [passage omitted]

[Announcer] Is it possible to hope that compulsory military service, for example, will cease with NATO membership?

[Keleti] In the long term it is conceivable. One of Hungary's plans is to create, by 2005, 2010, a so-called professional army, in smaller numbers, where there will be no more conscript service. But nobody should imagine that in the interest of defending the country only a small army will be in readiness. Similarly to several West European countries, we must also create a civil defense system which will be built on reservists and which, first and foremost, will realize the principle of territorial defense.

[Announcer] According to plans, will there be a referendum to decide about NATO membership?

[Keleti] In the terms of the current formulation of the Hungarian Socialist Party [HSP] and the Alliance of Free Democrats [SZDSZ], which figures in the government program, yes, there will. What this means, in other words, is that both parties of the government coalition plan to ask public opinion to express its standpoint immediately in the period prior to NATO membership.

[Announcer] When we talk about NATO, the most important question—or one of the most important questions—is when will Hungary be able to join. Earlier, you said that this will take five to six years. I wonder whether following William Perry's visit these five, six years have grown shorter or not.

[Keleti] Earlier I said two to three years. For my part, I still hold to this. I believe that by about 1998-99 conditions will become ripe—on the one hand, within NATO, making expansion possible; and on the other hand, within the Hungarian Army and in the Hungarian Republic's political and economic setup, which could provide a basis for admission. At the same time it has to be said that I don't like speculating on this issue. Mr. William Perry also said that if the Hungarian Republic continues to proceed—in fulfillment of the five criteria—along the path that was outlined in the introduction, then it has a good chance of NATO admission. At present, he is of the view that it is foremost among the countries that could be admitted to NATO. [passage omitted]

HSP Head Backs Horn, Preservation of Coalition

LD2109190295 Budapest Kossuth Radio Network in Hungarian 1600 GMT 21 Sep 95

[FBIS Translated Text] The leader of the Hungarian Socialist Party [HSP] deputies group [Imre Szekeres] has said in Veszprem that the government coalition and the party's internal coalition are equally important. Gyula Horvath reports.

[Horvath] No secret agreement was made last night at the extended session of the HSP presidium, which went on for nearly seven hours, Imre Szekeres, leader of the HSP deputies group said at a press briefing in Veszprem. He added that the participants had agreed that the most favorable solution was to preserve the government coalition as well as the party's internal coalition.

At the extended presidium session there were no calls for the removal of Gyula Horn from his prime ministerial post, Szekeres emphasized. Dissatisfaction, however, could be experienced at the session. It is also clear that there are objections to some of Horn's political steps, but those concern the decisions in question and not his person.

According to the leader of the HSP deputies group, people from the outside can suggest the question whether the party should choose Horn or the Alliance of Free Democrats [SZDSZ]. The answer in the case of a political party that has a parliamentary majority of 54 percent is Horn.

Szekeres mentioned that at the extended presidium session a Socialist politician had repeated for the first time what the Free Democrats had raised earlier, namely that the coalition did not seem to be working any longer. It can happen irrespective of the intentions.

Talks between Horn and Kuncze [SZDSZ deputy prime minister], aiming to improve the government's work, will indeed continue. They have met twice already and the Coalition Coordination Council is expected to hold a session next week.

MDF 'Ready to Control' Domestic 'Crisis'

AU2109202995 Budapest UJ MAGYARORSZAG in Hungarian 21 Sep 95 pp 1, 4

[Correspondent's report: "Fur Calls the Situation in Hungary Dramatic"]

[FBIS Translated Text] The National Committee of the Hungarian Democratic Forum [MDF] held a meeting in Kiskunmajsa on 20 September, a place where the party was born in the middle of the eighties. At the news conference preceding the meeting, Ferenc Gazsa said that they had already decided at the beginning of this summer to hold an informal discussion before the resumption of political activity in the autumn, but the events of recent months forced them to discuss concrete tasks. MDF Chairman Lajos Fur turned to the journalists present at the news conference in connection with this and said that he had to start his words with a difficult sentence: A serious crisis is threatening us, but it is possible that we are already in this crisis. Given the direction of Hungary's fate, Fur regarded it as important to mention the fact that his party was ready to control this crisis together with the opposition, first of all with the Federation of Young Democrats and the Christian Democratic People's Party, if the need arises. They are also prepared to lead this country out of the serious situation in which the current government coalition has led Hungary. There are economic policy concepts that could ease the prevailing social tensions that are almost unbearable today. They are aware of what should be done in education and health care before these sectors are devastated, and what should be done in order to settle Hungary's domestic political situation.

Why is Hungary in a crisis today? According to Lajos Fur, a lot has been said in connection with this, but he, nevertheless, drew attention to three very important circumstances. Savings made by the population have dropped considerably in recent months because, as a result of the restrictive measures, people were forced to use their savings. The other important warning sign is that the number of investments has dropped considerably, while taking credits also showed a similar trend. As a result of all this and of many unprofessional measures, inflation shot up at an incredible speed and the interest burden of our overall debts will increase by 50 billion forints this year. In other words, what they tried to withdraw from the population by means of the Bokros package, the government will be forced to give out on the other side.

Fur then drew attention to the helplessness of the coalition, saying that, when they finally started to act, they committed serious mistakes. He regards as astonishing what is happening in the field of health care. He just read a study recently which says that the drop in life expectancy in Hungary is unique in Europe. In a few years' time, we might sink to the level of underdeveloped African countries. And the government also wants to introduce savings measures in this area, and this will have catastrophic consequences. Besides, this government is unable to work in a coalition mode. The population feels the consequences of constant arguments, and both the Hungarian Socialist Party and the Alliance of Free Democrats are equally responsible for this.

MDF Deputy Chairman Sandor Lezsak said that stability was one of the characteristics of the Antall cabinet and later of the Bokros cabinet, and their opponents also admitted this. We could experience this stability in spite of the fact that the laws ruling the change in the regime often brought these governments into a difficult position. We now feel the lack of this stability. This country is drifting into an uncertain situation and it does not have an image of the future. The MDF is trying to engage in political activity by taking these facts into consideration, and it will do everything in its power to be able somehow to improve this impossible situation.

Izetbegovic Presents Conditions for Bosnian Peace

Three Conditions

*AU2109204095 Paris AFP in English
2012 GMT 21 Sep 95*

[FBIS Transcribed Text] Vienna, Sept 21 (AFP)—Bosnian President Alija Izetbegovic said Thursday he would not agree to any cease-fire for Bosnia-Herzegovina unless the Bosnian Serbs swiftly and totally lifted the siege of Sarajevo.

Speaking in Vienna, where he arrived Thursday evening from London, Izetbegovic cited the "total lifting of the siege of Sarajevo... within 60 days" as one of three conditions for a truce in the devastated former Yugoslav republic.

The other two conditions, outlined by the Bosnian president earlier Thursday in London, involve free access to the east Bosnian enclave of Gorazde and a Serb military withdrawal from the north Bosnian Serb stronghold Banja Luka.

"These are the only conditions we can have for cease-fire," he said. But the conditions were temporary, he stressed: "That means we have to obain a peaceful solution in 60 days."

Bosnian Serb forces have surrounded Sarajevo ever since conflict erupted in Bosnia in April 1992. Only the recent two-week NATO airstrikes on Serb positions around the Bosnian capital forced a pull-back of Serb heavy weapons.

Izetbegovic stressed the lifting of the siege should be accompanied by the resumption of normal living conditions in the city.

"Normal supplies of water, gas and electricity must be reestablished," he said.

The head of state had already pledged his troops would not move on Banja Luka—thus avoiding a major refugee crisis—if the Serb military pulled out and handed over to civilian rule.

Aid workers say the Banja Luka region is already sheltering as many as 100,000 refugees.

Joint Moslem and Croat forces have come within moved within 40 kilometres (25 miles) of Banja Luka itself, the largest Serb-held town in Bosnia following sweeping advances through the north of the country in recent days.

Izetbegovic was more optimistic than ever on prospects for a peace accord. "Our negotiating position is better than before," he said. "A certain balance has been reestablished."

"The Serb military machine has been overtaken and Serb arrogance has taken a blow," he added.

Izetbegovic said he was opposed to any territorial secession of any Bosnian faction.

"Constitutional arrangements are currently being worked out to establish an interim republican authority" including a president and parliament, allowing free elections to be held "after the return of refugees from their countries."

"From now until then, the current authorities will continue in their posts," he added.

Izetbegovic was in Vienna to meet Austrian Foreign Minister Wolfgang Schuessel, before leaving for Bosnia on Friday.

But he also made a point of dining with his "old friend," Former Foreign Minister Alois Mock.

Mock, he said, had accepted the highest Bosnian decoration, which he will receive at a ceremony to be held in Sarajevo.

In Prague meanwhile, the office of Czech President Vaclav Havel said Izetbegovic would pay a two-day working visit to the country on October 13 and 14.

'Free,' 'Undivided' Sarajevo

AU2209082995 Vienna Oesterreich Eins Radio Network in German 0500 GMT 22 Sep 95

[Report on news conference by Bosnian President Alija Izetbegovic in Vienna on 21 September by Bettina Roither; Izetbegovic statements in Serbo-Croatian with superimposed German translation—recorded]

[FBIS Translated Text] [Roither] Right from the beginning of the war we said there will be no peace unless force is used against the aggressor, and the successful NATO air strikes against Serbian positions have proved us right. Now we are making progress on our road to peace, the Bosnian president said. He said that his position in the negotiations is much stronger now and there is now a military balance, which is the precondition for constructive talks.

[Izetbegovic] The Serbian military machinery has been hit, as has the Serbs' arrogance. That is why we will have successful negotiations now and will also achieve results.

[Roither] But before a peaceful settlement can be reached, there must be a cease-fire. There is still fighting going on in several regions of Bosnia-Herzegovina. The Bosnian-Croatian Army is still outside Banja Luka.

[Izetbegovic] We can only accept a cease-fire under the following conditions: First, we demand that the Serbian troops be withdrawn from Banja Luka and a civilian administration established. We will not invade Banja Luka, but we demand the withdrawal of the Serbian troops. Second, we want free access to Gorazde, and third, the siege of Sarajevo must be lifted completely. That means normal supply of gas, water, and electricity. Only then can there be a cease-fire, but only a temporary one. A peaceful solution must be found within 60 days.

[Roither] The present frontline does not constitute a demarcation line, the Bosnian president emphasized. According to the contact group's plan, the Bosnian-Croatian federation would have to get Brsko and the wide land corridor that links the Muslim enclave of Gorazde with the Sarajevo region. And Sarajevo must be a free and undivided city. His government has not agreed to a division plan, Izetbegovic said.

[Izetbegovic] We are negotiating a new constitution and preparing elections. But the present government will remain in office until after the refugees have returned. Splitting off territory will by no means be allowed.

[Roither] There are still problems both in constitutional questions and with regard to the borders, Izetbegovic admitted. But the new and stronger position will make solutions possible.

Silajdzic States 'Offensives Will Continue'

AU2009180995 Mainz ZDF Television Network in German 1700 GMT 20 Sep 95

[Statement made by Bosnian Prime Minister Haris Silajdzic to Martin Oldorff in Travnik on 20 September—recorded; Silajdzic speaks in English with superimposed translation into German]

[FBIS Translated Text] [Silajdzic] There has been a peace plan on the table for over a year now, and the Serbian terrorists have been refusing to sign it. As long as they don't sign it, there will be no peace, there will only be war. The offensives will continue. The regime in Belgrade began the war, and it must end it. We cannot do that.

Silajdzic Answers Questions at Bihac Open Meeting

AU2209073095 Paris AFP in English 0639 GMT 22 Sep 95

[Article by Diane Bartz: "Bihac Sees American-Style Town Meeting"]

[FBIS Transcribed Text] Bihac, Bosnia-Herzegovina, Sept 22 (AFP)—The northwestern Bosnian town of Bihac got a taste of American-style democracy with a town meeting that focused not on a nearby offensive but on school taxes.

The meeting late Thursday [21 September] was also a chance for Bosnian Prime Minister Haris Silajdzic, whose father is from here, to reach out to Bihac residents and politically reconnect them to Sarajevo.

The Moslem-led Bosnian Government has always held Bihac, but for much of the war the town was in an enclave surrounded by Serb forces and pro-Serb Moslem troops.

A joint Bosnian-Croatian offensive reconnected Bihac to the outside world in August.

Like the good politician he is, Silajdzic came bearing gifts, 650 tons of petrol, 100 tons of meat, as well as flour and school books.

He also offered to take questions, and the residents of this former communist state eagerly took him up on the offer.

"We are a democratic state and we have the right to ask questions," Silajdzic told the gathered crowd of 400.

Despite the sound of celebratory gunfire sporadically resounding outside, there were no questions on military tactics or the U.S.-sponsored peace initiative that could divide three-year-old Bosnia between Croatia and Serbia.

There were also no questions about the lack of running water or sporadic electricity.

The raging debates were over whether to raise taxes to improve the local schools and whether soldiers' families received adequate compensation.

The closest thing to a military discussion was the announcement that students would be demobilized, an extremely popular move judging from the burst of applause.

Another complaint was the uneven distribution of humanitarian goods.

The forum was also an opportunity for Silajdzic, who has a reputation of being among the most pro-democratic of the Bosnian government, to cement his base and demonstrate his deft political skills.

At first he took questions from the audience.

But after two rather confrontational queries, he asked that questions be written down and he then distributed them to three government ministers and two local officials accompanying him.

Rather than his feet being held to the fire, he became the people's advocate, holding other officials responsible during the 2-1/2 hour forum.

And he let other officials, like the head of the Bihac canton, Ferizovic Mersad, discuss the unpopular topics,

Mersad [Ferizovic] was met with a stony silence when he gave an extended and angry exhortation against trading on the black market—something most of the town likely does regularly. [sentence as received]

Sacirbegovic Commitment to Peace Process Viewed

AU2209103395 Sarajevo Radio Bosnia-Herzegovina Network in Serbo-Croatian 0800 GMT 22 Sep 95

[FBIS Translated Text] A White House spokesman has announced that on Tuesday [26 September] [words indistinct] a (?bilateral) meeting will be held in New York of the foreign ministers of the Bosnia-Herzegovina Government, Zagreb, and Belgrade. The report has also been confirmed by a spokesman to the U.S. Mission in New York explaining that the meeting will also be attended by Contact Group representatives at the level of political directors and most probably EU envoy Carl Bildt. Envera Selimovic reports from New York:

[Selimovic] In a word, a letter sent to the Security Council is a message from the Bosnia-Herzegovina Government that it is extremely interested in having the war in Bosnia-Herzegovina resolved [words indistinct] territorial integrity and sovereignty of a UN member. At the same time, we cannot accept criticism directed by some council members against the army action that has been conducted to defend these same principles, the letter reads. There is also expressed a readiness, as in the case of Banja Luka, to avoid military action if at all possible, so as to protect civilians and avoid a new wave of refugees. At the same time, the letter emphasizes that there are paramilitary formations in that region that are not only violating the country's sovereignty, but are also continuing the practice of ethnic cleansing, rape, and murder.

Apart from the forces led by Ratko Mladic, who has been suspected of war crimes, there are also Arkan's [Zeljko Raznatovic] troops, who oppose the peace process and the international community's appeal to respect human rights, democratic freedoms, and the return of the refugees, Bosnia-Herzegovina Foreign Minister Muhamed Sacirbegovic points out in the letter.

Although aware of the lack of readiness on the other side to find a political solution [word indistinct] the forthcoming New York meeting, Minister Sacirbegovic expresses readiness on behalf of the Bosnia-Herzegovina Government to negotiate on a cease-fire and the cessation of hostilities in general.

Among other things, the Bosnia-Herzegovina Government proposes a conclusion to the lifting of the siege of Sarajevo, including the removal of heavy weapons, as NATO and United Nations had earlier demanded, as well as opening the roads into Sarajevo and resuming normal supplies of natural gas, electricity, and water to the city. Also demanded are the establishment of a secure road to Gorazde to alleviate the sufferings of the civilians and the halting of all military activities in the Banja Luka region, along with the demilitarization of the region and the introduction of peace forces to provide safety and to separate the military forces in conformity with the agreement on the cessation of hostilities.

The Bosnia-Herzegovina Government is ready to offer assurances that its armed forces will not enter the demilitarized zones and that it will encourage the presence of peace forces or monitors, reads the letter to the Security Council chairman.

The Bosnia-Herzegovina Government has no territorial demands on behalf of the Federation regarding Banja Luka, Minister Sacirbegovic also writes, and adds that the Bosnia-Herzegovina Government remains committed to the Contact Group plan and the principles agreed in Geneva. We demand political dialogue to (?suspend) military measures. We shall not rely on military action to secure our sovereign aims if we can avoid it, the Bosnia-Herzegovina foreign minister points out. At the end of the letter, he says that if the Security Council continues irresponsibly to follow (?some people) who are subordinating the implementation of the peace process to their domestic needs and are putting Bosnia-Herzegovina in the position of a second-rate UN member, the Bosnia-Herzegovina Government will be forced to reexamine the priorities on which the peace process has been based and to what extent we will be able to continue our participation in it.

Apart from presenting the position from which he will negotiate here in New York, with this letter the Bosnia-Herzegovina foreign minister again points out that no UN member can have more rights than others if one is to stay true to the principles on which the UN has been based for 50 years.

Bildt Sees Bosnia Settlement 'by End of Year'

AU2209073295 Paris AFP in English 2145 GMT 21 Sep 95

[FBIS Transcribed Text] Belgrade, Sept 22 (AFP)—EU mediator Carl Bildt said here he expected a settlement of the 41-month Bosnia war "by the end of the year", following talks with Serbian President Slobodan Milosevic.

"It is my impression that Belgrade and Sarajevo are going for a peaceful solution. This gives us an opportunity that we have not had in a long time," he said in an interview with the Fonet news agency.

Saying he was "carefully optimistic", Bildt added that the "peace process can be concluded by the end of the year."

Asked whether military gains by the Croatian-Bosnian troops in western Bosnia earlier this month would make peace talks easier, Bildt said: "Those who think that this will make things easier are wrong because it may be more difficult."

"The 50-50-percent division that we now have on the ground is different from the 51-49-percent that we are trying to sell in the negotiations," he said, referring to a peace plan under which Bosnian Serbs would be given 49 percent of the Bosnian territory and the Bosnian-Croat Federation the remainder.

Both chunks would be able to federate with neighbouring Croatia and Serbia respectively.

Bildt and Milosevic said earlier Thursday [21 September] they were confident the fledgling Bosnian peace process would be successful.

Milosevic and Bildt released a statement after their meeting in which they professed their conviction that the latest US-led efforts to bring peace to Bosnia-Hercegovina "will be crowned by a global political settlement and the peace approved by an international conference."

The duo, who met after Bildt unexpectedly arrived in the Serbian capital Thursday, said the conference would be held soon.

1st Corps Commander Views NATO Air Strikes

AU2209082495 Sarajevo VECERNJE NOVINE in Serbo-Croatian 11 Sep 95 p 4

[Interview with Brigadier Nedzad Ajnadzic, recently appointed commander of the 1st Corps of the Bosnia-Herzegovina Army, by Almasa Bajric; place and date not given: "Soldiers Are Our Priority"]

[FBIS Translated Text] Brigadier Nedzad Ajnadzic, the new commander of the 1st Corps of the Bosnia-Herzegovina Army, has been well known to Sarajevans and Bosnians since the first days of the aggression against our country. But who is Brigadier Ajnadzic?

[Ajnadzic] I was born in Bosnia-Herzegovina and I am a soldier of this country and this people. I obey and carry out whatever my superiors order. I have carried out jobs and duties in the defense and liberation war that were ordered and how successfully I have done this you will have to ask my superiors.

[Bajric] Tell us something more about your career.

[Ajnadzic] Until now I have carried out various duties, starting from an ordinary soldier to a corps commander. I was commander of the Podrinje Brigade, the 101st Mountain Brigade, as it was being transformed into the 101st Motorized Brigade, and I was also the chief of staff of the 1st Corps. I have also worked in the Operational Planning Directorate with the General Staff, after which I took over command over the 37th Division of the Bosnia-Herzegovina Army, and now I am here, the commander of the 1st Corps. I want to point out that it is our soldiers and units who are to be given the greatest credit for all our achievements, whereas we who command them may be given credit from the point of view of organization and expertise. For this reason, all of us have a great obligation to care for the families of the fallen and war invalids, as well as for the living, because tomorrow we also may get killed or injured and this is a question of fate.

Rough Jobs

[Bajric] Before your appointment as commander of the 1st Corps, you commanded the 37th Division in Tesanj. What were your impressions?

[Ajnadzic] It was a real pleasure to work there, although it was a difficult job, of course, because a soldier's jobs are rough. I also take this opportunity to greet the soldiers and commanders of the 37th Division. It is a very well organized, strong, and exemplary unit of the Bosnia-Herzegovina Army. I am happy that I was given an opportunity to work with them, particularly with the soldiers in that strategically very important part of our country. If I were given a chance to choose a post in the Bosnia-Herzegovina Army, I would choose to be the commander of the 37th Division again. Of course, we soldiers are not asked for our opinions or given too much choice; we are here to be given orders. Wherever we are ordered to carry out soldier's duties we do it.

[Bajric] Following what you have just said, what can you, as commander of the 1st Corps, tell us about the current situation in your corps' theater of operations, in view of the actions taken by NATO and Rapid Reaction Force [RRF]?

[Ajnadzic] Our operative-tactical position has been considerably improved by our own efforts, but there are still many things to do. NATO's and the RRF's actions do not influence the operative-tactical situation. They are doing their jobs and we are carrying out orders and assignments given by our superior officers. And this will continue to be the case. We shall not hinder them in doing their job. Their actions are coordinated on the international level through the state structures of Bosnia-Herzegovina and we act as the chief of the General Staff requires us to.

Air Strikes Against "Service Stations"

[Bajric] To what extent have the air strikes contributed to the weakening of the Serbs' advantage in weaponry over our army?

[Ajnadzic] One should not be euphoric about the air strikes by NATO and the actions of the RRF. No considerable change in the balance of power has been achieved, because NATO's actions have been primarily aimed at destroying facilities within the Chetnik units' battle lines. Those are radio-transmitting hubs, centers of air surveillance, and arms depots, whereas it is questionable whether any arms were being stored there at all. Also, we have to bear in mind that there have been no massive air strikes against Chetnik artillery positions. The strikes have been concentrated on the facilities that serve the Chetniks as service stations for their weaponry.

[Bajric] Nevertheless, what data do you have regarding human and material losses for the aggressor?

[Ajnadzic] I have already said that there have been no air strikes against the Chetniks' artillery positions from which they are shelling the cities and civilians. Their potential in equipment and manpower is still intact or just partly damaged. This is why it cannot be said that a great change in the balance of power has been achieved. I frankly hope that the next air strikes by NATO and the RRF will be aimed against those elements of the Chetnik war machine that have not been affected so far.

[Bajric] Have the air strikes made a considerable impact on the morale of our soldiers?

[Ajnadzic] They have, but not a decisive one. Considerable, because they are attacking the Chetnik military framework, but it is not decisive because we have our own force to fight with. We must shape the morale in all our units, in cooperation with all institutions of this society. The NATO and RRF strikes have been carried out more for the sake of their own credibility than for our sake. Of course, they are welcome and we are viewing them as quite a normal step to take. The world and NATO had to get involved, at least to make up for them depriving us of our right to defend ourselves, our state and people, by imposing the arms embargo against us.

Dissent in the Pale Leadership

[Bajric] Do you have any data about the situation on the aggressor's side?

[Ajnadzic] The combat morale situation among the Chetniks is shaky and there is no reason for it to be good. Everything that is happening is creating a climate of dissent between the political and the military leadership and this process cannot be improved. The differences may only deepen and hopefully result in internal conflicts. This is, of course, just a preliminary assessment.

[Bajric] In the recent days in the city there has been much talk about the alleged "sale" of Grbavica [Serb-occupied suburb in central Sarajevo]. Apparently, the Chetniks are demanding 10 billion German marks.

[Ajnadzic] The 1st Corps Command possesses data resulting from continuous intelligence work, but I would not like to talk about it right now. Nevertheless, why should we buy a part of the city that already belongs to it, the capital of the Republic of Bosnia-Herzegovina, whose flag flutters on the East River? Grbavica, just as any other occupied part of our country, will belong to an integral and sovereign Bosnia-Herzegovina in which there will be a place for everybody except the Chetniks who have played their bloody game. It is certain that in Grbavica there live some people to whom it does not belong. For good, honest and well-intentioned Serb people there is and always will be a place there. The Chetniks can go and look for a place for themselves somewhere far away from Bosnia-Herzegovina.

[Bajric] Recently demands could be heard for the revival of economy and, in that regard, demands for the demobilization of experts from the Bosnia-Herzegovina Army. What is your opinion of this?

[Ajnadzic] I favor demobilization in parallel with mobilization. The economy should and must be revived and we from the Bosnia-Herzegovina Army will do everything that we can to meet certain demands, provided that the combat readiness of our units is not affected, which must not happen at any cost. We shall work in that direction and take a very serious and detailed approach to the problem. The burden of war must and should be shared equally by all of us. It is not only experts who will get demobilized, but also those who are not experts, but who still may be useful to the economy and production. Experts are needed by the Bosnia-Herzegovina Army as well.

[Bajric] Everything indicates a cease-fire soon. In that case, what will the activities of the members of the 1st Corps be?

[Ajnadzic] I would not prejudge solutions, that is, a cease-fire. If it comes to that and it is agreed at the state and political levels, we shall carry out any order issued by our superior officers and observe it on the ground. As for our activities, they will be aimed at strengthening the combat readiness of our units and commands and creating better preconditions for the continuation of the liberation war in terms of improving the army's organization, personnel and equipment, including intensive training.

[Box, p 4]

[Ajnadzic] With the NATO and RRF actions, some of the aggressor's potential has been destroyed and some neutralized, and those are two different things. More has been neutralized, rather than destroyed. Since the NATO and RRF activity has been happening for the most part in the 1st Corps' theater, we are constantly reassessing their effects and making assessments. It is certain that there are considerable results, particularly in Lukavica, Hadzici, Jahorina, Klek, Pale, Toplik, Tilava, Trebevic, etc.

[Box, p 4]

[Ajnadzic] We shall insist that family members of the fallen and war invalids get employed, of course in sectors where they may be needed. As far as we in the 1st Corps Command are concerned, we have a great obligation toward our wounded soldiers and we shall open wide the doors of our commands and units to RVI [extension unknown] and the families of the fallen. We shall offer them work where they can. There is no reason not to do so in the economy as well.

Banja Luka District Citizens Asked To Join Army

LD2109230695 Sarajevo Radio Bosnia-Herzegovina Network in Serbo-Croatian 2200 GMT 21 Sep 95

[FBIS Translated Text] The presidency of the Banja Luka District has issued a statement calling on all citizens in the municipalities of the Banja Luka District—Bosanski Novi, Bosanska Dubica, Bosanska Gradiska, Prijedor, Sanski Most, Kljuc, Mrkonjic Grad, Kotor Varos, Celinac, Laktasi, Prnjavor, Skender Vakuf, Srbac, Sipovo, Jajce, Glamoc, Banja Luka—the able-bodied, and other persons who can help in the liberation actions of the 5th and 7th Corps, i.e. in the establishment and organization of life in newly liberated areas of the Banja Luka District.

Those wishing to join the 5th Corps should report to the district office in Bihac and those wishing to join the 7th Corps to the Banja Luka District Defense Ministry Secretariat in its temporary office in Travnik. Come and participate in the liberation of your areas in these decisive moments when victory at hand. All those failing to report will bear the consequences in accordance with the law. Those who report will fulfill their patriotic duty of honorably defending and liberating their country, we read in the statement of the Banja Luka District.

Army, HVO on Joint Results, Future Cooperation

AU2109180795 Sarajevo Radio Bosnia-Herzegovina Network in Serbo-Croatian 1700 GMT 21 Sep 95

[FBIS Translated Text] The top representatives of the Army of Bosnia-Herzegovina and the Croatian Defense Council [HVO] held a meeting late this afternoon in the command of the Joint General Staff and [HVO] Headquarters in Novi Travnik. The delegations were led by Army General Rasim Delic and Vladimir Soljic.

In addition to the aides of General Delic and Mr. Vladimir Soljic, the meeting was also attended by Jadranko Prlic, deputy prime minister of the Republic and the Federation of Bosnia-Herzegovina. The purpose of the meeting was to discuss the future implementation of the military part of the Split Declaration and the recently signed Zagreb Agreement.

It was concluded that both agreements are being successfully realized and that the new liberated areas are above all the result of the successful joint actions by the Army of Republic of Bosnia-Herzegovina and the Croat forces, the Press Center of the Army of Republic of Bosnia-Herzegovina reports.

Karadzic: Russian Mediation 'Crucial' to Peace

AU2209151595 Paris AFP in English 1446 GMT 22 Sep 95

[FBIS Transcribed Text] Banja Luka, Bosnia-Herzegovina, Sept 22 (AFP)—Bosnian Serb leader Radovan Karadzic told a delegation of Russian deputies Friday that Moscow's mediation in Bosnia was crucial to the peace process.

Bosnia "cannot hope to institute a peace without the participation of Russia," Karadzic told the delegation from the Russian Duma, or lower house of parliament, led by former Russian ambassador to the United States Vladimir Lukin.

"We are conscious of everything that Russia has done to defend Serb interests," Karadzic said.

Russia has distanced itself in recent weeks from western policy on Bosnia, perceived in Moscow as being too anti-Serb, and bitterly denounced NATO's two-week airstrikes against Bosnian Serb positions.

The Russian parliament was particularly vociferous in its denunciation of the air raids, and the delegation arranged its visit to Banja Luka to "express its support for the Serbs, ...to offer help to refugees and explore paths which will lead to peace," Lukin said.

Karadzic also took the opportunity of the presence of the Duma delegation to stress that despite Bosnia's fledgling peace process, the Bosnian Serbs were still being targeted by military "aggression."

"At a time when we were on the threshold of peace, Serbs were being killed in large numbers at the hands of NATO aggression and a large number of Croatian (army) units," Karadzic said.

Bosnian government and Croat forces launched an offensive into Serb-held northern Bosnia in the wake of the air-strike campaign, seizing formerly Serb-held towns and driving tens of thousands of refugees from their homes.

Serb President Krajisnik Receives Duma Delegation

LD2109192795 Pale Srpska Televizija
in Serbo-Croatian 1830 GMT

[FBIS Translated Excerpt] Momcilo Krajisnik, president of the Serb Republic [RS] assembly, today received a six-member Duma delegation, led by Vladimir Petrovich Lukin, chairman of the Duma's committee for international relations. Talks were also attended by RS Deputy Prime Minister Drago Dragic and Information Minister Miroslav Toholj.

This is the second visit of Russian parliamentarians in the past seven days and its aim is to gain further knowledge about the current situation here and examine possibilities for providing aid to the Serbs west of the Drina.

[Begin Krajisnik recording] We are here with our proven friends, people who understand what is happening in our republic. Sadly, their visit here [in Pale] will be a brief one, but their visit to the RS will last longer. Our people will long remember Russia and the Duma in particular for everything they have done. There were many discussions in the Duma aimed at helping the Serb people in humanitarian, political, and other ways, as the unequal struggle for the survival of the Serb people is being waged here against a powerful enemy and important and conflicting interests of western powers. [end recording] [passage omitted]

NATO Decision To End Air Strikes Discussed

Koljevic Criticizes Bombings

AU2109161495 Banja Luka Srpski Radio Network
in Serbo-Croatian 1000 GMT 21 Sep 95

[FBIS Translated Text] Commenting on the decision of the UN and NATO not to carry out more air strikes against the Serbs in the Serb Republic, Dr. Nikola Koljevic, vice president of the Serb Republic, stated the following:

[Koljevic] The Serbs ask for an agreement and an agreement in which all sides will be equal, even in the situation in which they have such a powerful opponent and even when various unjust actions are taken against them, as was the case with this NATO action.

We all know that there was no real reason to take this action, and history will show what the issue was about; I will not discuss that at the moment. The action caused great damage—we know what damage that is: primarily casualties and material damage, but also immense political damage.

Politically, this was nonsense. If the bombing was intended to force the Serbs to the negotiating table, it should be said that we were always prepared to negotiate and were always the first ones to go to the negotiating table. If it was necessary to provide humanitarian aid, we were also the first to make agreements—naturally, demanding some kind of equality, demanding the same rights for our civilians as other civilians had.

The news that the international community has finally realized that it must stop putting on pressure and that it is possible to make agreements with the Serbs is good, especially at this moment, in which it is necessary to make as big steps towards peace as possible and as fast as possible—naturally, bearing in mind that even in the last moments of war we must, considering what the enemy has been doing, be at full readiness. We must be real Serbs, and, if you will, real warriors, because it was others who wanted to remind us of our warrior power and skills, and not because we chose to be warriors.

Disappointment With 'Suspension'

LD2109151695 Pale Srpski Radio-Televizija Studio Sarajevo Radio in Serbo-Croatian
1400 GMT 21 Sep 95

[FBIS Translated Text] Momcilo Krajisnik, speaker of the [Bosnian] Serb Assembly, said in Pale today that the Serb side is disappointed with the UN and NATO decision to suspend for an unlimited period the air strikes against the [Bosnian] Serb Republic. The agreement envisioned cessation of the bombing and the decision to have an unlimited suspension of the air strikes is, for us, a surprise, Speaker Krajisnik said.

Stressing that it is a good thing that there is no longer any bombing and that, to some extent this has made for a political and peaceful resolution of the crisis in Sarajevo and the whole of the former Bosnia-Herzegovina, Krajisnik described the suspension of the air strikes as an impermissible maneuver which proves that there has not been fair play.

We believe that the disagreement between NATO and the United Nations best indicates that the UN is a completely impotent organization which is not in a position to keep its word, the speaker of the Serb Republic added, commenting on the decision of the UN to accept, under pressure from NATO, the term "suspension" and not "cessation" of the strikes against the Serb Republic.

Speaker Krajisnik pointed out that the UN, NATO, and the Muslim side have not fulfilled their obligations under the Belgrade Agreement, that is, Muslim artillery has not been placed under UN control.

Asked whether the guarantees contained in the Belgrade Agreement would possibly bring about a change in this decision or lead to an explanation of it, Krajisnik said that the explanation now would be that the suspension of air strikes was precisely what was envisioned.

At this time the Serbs are the guinea pigs of a large war, and if the bullying NATO machine and the criminal policy pursued by some Western circles are not halted, I fear that we are moving toward a cataclysm which will be of much larger proportions, Krajisnik said.

Confirming that an offensive against the Serb Republic is continuing unabated, the Assembly speaker said that promises made by Muslim leader Alija Izetbegovic and Croatian President Franjo Tudjman that the offensive will be halted are false. I am optimistic that we are going to stabilize the front lines and that we shall free our territory in some areas in a counteroffensive, Krajisnik added.

Underscoring the need for negotiations to begin as soon as possible, the Assembly speaker concluded:

Any flare-up in fighting is leading to what has already been achieved. [sentence as heard] But it may also lead to an escalation which could turn into a long-term war in this area.

Latest Order: All Must Stay in Banja Luka

AU2109125495 Banja Luka GLAS SRPSKI in Serbo-Croatian 18 Sep 95 p 3

[Interview with Predrag Radic, president of the War Presidency of Banja Luka, by R. Preradovic; place and date not given: "Everybody on the Defense Line"]

[FBIS Translated Text] Present circumstances are such that the War Presidency of Banja Luka is constantly in session, having to solve extreme problems, and its president, Predrag Radic, is certainly the person most asked for. The day before yesterday, the Presidency issued an order on the military and work obligation of the citizens of Banja Luka, which was a fundamental decision in this moment, and one of the reasons for our talk with Mr. Radic, whom we asked to comment on that order:

[Radic] That order is the result of our agreement with the supreme command and the command of the 1st Krajina Corps of the Army of the Serb Republic [Serb entity in Bosnia-Herzegovina]. Banja Luka must be a turnpoint in this offensive of Ustasha and Muslim forces. The Army does and must do its job. The citizens have to be aware of that: Banja Luka must not be captured in the way other towns and territories have been captured recently. By no means! For that reason, everybody has to be at disposal, either for serving in the military or for work. People will be militarily mobilized by the Defense Ministry, and they will mobilized for work according to needs, and that in those places where we will face the possible attack of the enemy most effectively. There are no exceptions to this. Some productions will be stopped, we will make a list of minimums and necessities; those under the work obligation will, if needed, be on the defense line at the same time—they will be transported there, and taken back afterwards. If there are some misunderstandings here, and there are some already, then it is clear: Employees in all productions which are necessary and have to be continued will be engaged on that field. The firms must send definite lists of people they need to engage, and, according to those lists, the War Presidency will evaluate and decide who must remain in production and maintain the production process. All others, including myself, must obey that order. And only citizens with permission may leave the city or go to the Federal Republic of Yugoslavia.

[Preradovic] What is that permission, and who is allowed to get it?

[Radic] Everybody here—women, children, the elderly—simply everybody has to remain in the city. We have to understand: Now we are defending the Serb

Republic here. That permission must be given to people who work on securing the production necessary for defense and the supplies of the city, then the seriously ill, wounded, and others. But, that is strict: I repeat, everybody else has to stay here, and be, as ordered, engaged in defense, either militarily or under the work obligation.

People Make City a City

[Preradovic] Certain threats and aspirations toward Banja Luka exist. What are your evaluations and knowledge in that sense?

[Radic] Those threats have never died down or stopped. We can also expect to be attacked from the air again, and an occasional grenade. Everything is possible. None of this dare be the reason for us to pack our things and leave Banja Luka. At that time, the citizens of Banja Luka should all go to shelters! And once that is over, all must go to their posts and defend Banja Luka! First of all to the most forward positions, and we will also fortify the second- and third-line positions, and the city line, if there is need for that.

[Preradovic] How is Banja Luka putting up with these new waves, "strikes" of refugee columns?

[Radic] We already have experience from 15 December 1991, and then experience with people from Travnik, Bugojno, Zenica, Zagreb, and then experience from May 1995 with people from Glamoc and [Bosansko] Grahovo, so that we are able to put up with all those refugee columns and to accept everybody. This is because we know very well that those people are in great trouble, and we are offering them the most we can offer at this moment. But, all those people, particularly the representatives of their authorities, have to understand us when we point to problems, and there are many problems, especially since the goal of the enemy—we know that well—is to create chaos in Banja Luka. We give what we can, we accommodate those people, we help them. Of course, all that is done within the limits of our abilities. There are territories where the possibilities of accommodation are bigger, and if we send them there, they have to accept that. We must not submit to the intentions of the enemy to infiltrate misunderstandings with rumors and destabilization with enemy propaganda. [sentence as published]

"The Truth Is Coming..."

[Preradovic] In that sense, a significant role is played by means of information.

[Radic] We should learn something from our enemies, particularly from Croats. I particularly mean the propaganda. Of course, our means of information respect only and solely the truth. They have an elaborate method of leading an information war. In that sense, supported from abroad, their mass media are monstrous. We do not ask our means of information to use such tricks and such nonsense, but we want the people to realize that there is no other Banja Luka anywhere, that we have to stay here, and the means of information should stimulate the people in that sense. We are here to maintain the moral of the people, to tell them the truth, to tell them what the exact situation on the front is. We have already managed to achieve some successes, and that should be affirmed. All the more since we know that none of the success of the Croats has been achieved through big battles. They know that very well, despite all the fuss their means of information make. I do not believe in any drawings or maps, I only believe in facts. And the facts, as far as Banja Luka is concerned, are that its strength is self-contained. [sentence as published]

(Preradovic] So you do not think about maps at all. Are there any maps or not?

[Radic] I do not know if there are any, but they should be of no importance to us. This is because, who else but we ourselves can draw where we are going to live. I believe that the fault is in ourselves; we received the news from Geneva about getting our own state so open-heartedly. Instead of things coming to an end, that was, in fact, only the first step. In that sense, the end is very far away. We have to be cautious for a long time, and see what happens. They say very clearly that they want to cover the whole territory, and it is even possible that, in those heads of theirs, they wish to divide the territory of former Bosnia-Herzegovina on the Croatian and Muslim parts. However, they are very wrong about that, because there are also these people here who do not intend to leave, and should not leave their homes. That is what should be said to Serb people, because there are no maps or drawings, no solution outside of themselves. In that sense we accepted the refugees, having realized the fact that those people would soon return to [Bosanski] Petrovac, [Bosansko] Grahovo, Sipovo, Glamoc, Kupres, Jajce, Drvar, to all those places that they had to leave under the terror of the enemy's hoards. We should react rigorously to the rumors about those maps. We should oppose those people who spread such rumors in the sharpest way, without mercy. They are not the fifth column—those were the Germans, Volksdeutscher, from Vojvodina; this is the sixth column, Serbs who act against themselves and their own people. And we will also oppose the plunderers who believe that they can make use of this war. They want to gain material profit by plundering their own people.

Belgrade Press: Mladic Going to Banja Luka

AU2109120795 Paris AFP in English 1136 GMT 21 Sep 95

[FBIS Transcribed Text] Belgrade, Sept 21 (AFP)—General Ratko Mladic, the commander-in-chief of Bosnian Serb forces, left hospital in Belgrade and headed straight for the Serb stronghold of Banja Luka in northern Bosnia, Belgrade newspapers reported Thursday [21 September].

News that Mladic was suffering from kidney problems emerged last Sunday via the Russian news agency ITAR-TASS citing Momcilo Krajsnik, the President of the parliament of the self-proclaimed Serb Republic.

However it was impossible to confirm Mladic's stay at the hospital, which he left on Wednesday, according to newspapers.

Mladic's ill health has sparked a wave of speculation in Belgrade's political circles and the Serb media.

Theories vary from a favourable moment to have some treatment or a simple diplomatic illness so as not to tarnish his image with the military retreats Bosnian Serbs have been carrying out over the past few days.

Independently-owned newspapers have also suggested that Mladic has been "neutralised" by Serbian President Slobodan Milosevic because of a disagreement over the concessions made to NATO during the withdrawal of heavy weapons from around Sarajevo.

The capture of huge chunks of land in several days by Croatian and Moslem [Bosnia-Herzegovina Army] forces without any resistance has fueled speculation about an agreement between Belgrade and Zagreb to redraw the map of former Yugoslavia. Under the international peace plan, the Moslem-Croat federation is to get 51 percent of Bosnian territory and the Serbs 49 percent.

Serbs leaders have strenuously denied the existence of such an agreement. However Mladic returned to Bosnia on the day the NATO airstrikes were suspended and when the borders seemed to have been stabilised.

Tudjman Sets Parliamentary Elections for 29 Oct

LD2209104195 Zagreb Radio Croatia Network in Serbo-Croatian 1000 GMT 22 Sep 95

[FBIS Translated Text] On the basis of Article 98 of the Constitution of the Republic of Croatia, Article 4 of the law on the election of deputies in the parliament of the Republic of Croatia, and the Official Gazette, Nos. 22/92, 1/93, 11/94, and 68/95, Dr. Franjo Tudjman, president of the Republic of Croatia, has passed a decision to hold elections for deputies to the Chamber of Deputies in the parliament of the Republic of Croatia.

The elections will be held on Sunday, 29 October, 1995.

This decision comes into effect on the day of publication in the Official Gazette.

Observers Think HDZ Will Win Majority

AU2109154095 Zagreb VJESNIK in Serbo-Croatian 17 Sep 95 p 4

[Article on the prospects for each party in Croatia on the eve of parliamentary elections, by Branko Podgornik: "Election Announcements and Results—Everybody Knows"]

[FBIS Translated Text] Parliamentary elections will most probably take place on 29 October. Since the introduction of democracy there has never been less uncertainty about the election results. At this moment observers expect that the Croatian Democratic Community will get at least a majority vote of 127 seats in the Chamber of Representatives of the Croatian Parliament, perhaps even a two-thirds majority. It can be expected that the rest of the seats in the Chamber of Representatives will be distributed among only four oppositional parties, except for 12 seats to be taken by the representatives of Croatian emigrants, and seven others by the representatives of all national minorities.

In other words, the majority of observers expects that the HDZ [Croatian Democratic Community] will win between 50 and 67 percent of the seats in the Chamber of Representatives, and the opposition between 17 and 34 percent, while the emigrants and minorities have 16 percent of the seats granted.

Those estimations are based upon public opinion surveys and a triumphant atmosphere in Croatia, which appeared after Operations Flash and Storm, this atmosphere being favorable for the HDZ. The party in power has almost completely solved the largest Croatian problem—the liberation of the occupied territories.

The basis for such forecasts about the future picture of the Croatian parliament is also the proverbial division of the oppositional parties. The first thing they have in front of their eyes are narrow party interests, which render impossible wider gathering on the basis of a common national program which would be an alternative to the program of the party in power.

Over Threshold With Difficulty

The reason for such a future picture of the Chamber of Representatives is also the future Election Law, which has to be adopted at the session of the parliament in September, the last in the old session. As it is known, that law envisages that 80 representatives will be elected by a proportional electoral system, and 28 will be elected in the electoral units by a majority system. (There are different regulations for the representatives of Croatian emigrants and national minorities).

So, the election law stresses the elections based upon a proportional system, not a majority system. Such legal provisions stimulate all political parties to go independently to the elections, not in coalitions, so that the largest political parties will most probably compete for their own account.

The Croatian Party of Rights has already announced its independent running. The Social Democratic Party of Croatia, which in 1992 won 5.4 percent of the vote, is also not likely to form a coalition. It does not pay for that party to ally with Tripalo's Action of Social Democrats for Croatia and Bebic's Social Democratic Union, because all other left-wing parties won less than 4 percent in 1992. When all three of them would join a coalition, it would be even more complicated to get over the Parliament's threshold. Namely, the new election law sets a threshold of 5 percent for the parties which run independently. Two parties in a coalition must win at least 8 percent to enter the parliament, and an alliance of three parties must win more than 11 percent of the vote.

So, in the example of the SDP [Social Democratic Party], one can see why coalitions in the proportional part of the elections are not likely to appear. So far, only the coalition of the Croatian Social Liberal Party [HSLS] and the Croatian Peasants Party [HSS] is probable, but it is not certain either. Those two parties are the key to the creation of electoral alliances. They are almost unavoidable, because without them it is hard to jump over a threshold of 8 or 11 percent of the vote.

The coalitions are, from the oppositional point of view, necessary only in the majority part of the elections, where in 28 electoral units the candidate, who gets the majority of votes, wins. Here the oppositional parties are interested in presenting only one common candidate against the HDZ candidate. Meanwhile, the question is to what extent the oppositional parties will be ready for that. Even if they could make an arrangement, they could win only 28 seats. The agreement of the opposition on the common candidate can easily collapse, because if one more candidate from the opposition appears, the votes of those who favor the opposition will disperse.

Shaping Political Parties

It is interesting that the opposition parties demanded the introduction of proportional electoral system even before the elections in 1992. The HDZ has answered their demands in the affirmative, but also raised the electoral threshold from 3 to 5 percent, which is unsuitable for smaller opposition parties, too. The objective of such an electoral system is the growth of political parties, that is, the elimination of too many small parties on the Croatian political stage. After the next election, that stage should be simpler and more easily surveyed, and the parties should have a clearer profile.

Unless wider coalitions appear, only five political parties, as we have already said, could find themselves in the Croatian parliament toward the end of this year. VJESNIK has already written about it earlier, and it cannot hurt to repeat it, that five party orientations have the best prospects for development in Croatia. The point in question are two traditional Croatian options—the rightists and the peasants, and three modern, Croatian, and European options—the populists, the liberals, and the social democrats.

Now it is clearer why only the HDZ, HSP [Croatian Party of Rights], HSS, HSLS, and SDP could find themselves in the parliament. Giving one's vote to a sixth party is a risk which can make that vote a failure and worthless. For instance, that means that voting for the Istrian Democratic Congress or Dalmatian Action makes sense at local elections, but not at the national elections, because those parties do not want to have an all-Croatian significance at all.

There Will Be (No) Boycott

Many are asking if the opposition could make the joy of victory bitter for the Croatian Democratic Community by boycotting the parliamentary elections. There are also the following opinions among the opposition: "The defeat of the opposition is certain, so we should leave the Croatian Democratic Community alone."

However, by last week's joint news conference, at which the representatives of parliamentary opposition stated seven conditions to issue writs for election and poll—among which the first is census-taking in Croatia before the elections—shows that the opposition is not capable of resolute moves. Namely, when asked by a journalist whether the opposition will boycott the elections in case the HDZ does not accept their demands, the answer was blurred. Zlatko Tomcic, president of the HSS, said that the opposition in that case would consider further steps, but he did not mention boycott.

After that news conference, the story in the lobbies is that the opposition does not have an undivided opinion about that issue. Some of them would boycott, some of them would not. The Croatian Party of Rights wants to go to the elections unconditionally, and in case any more significant party joins it, a boycott would no longer make sense.

Having set seven conditions to carry out the elections, the oppositional parties had in mind not only the regularity of the elections, as they had publicly proclaimed, but also postponing the elections. Namely, it is known that the party in power favors holding the elections as soon as possible, while the impressions achieved by Operations Flash and Storm are still fresh, and the opposition wants to move that date as far as possible, because the opposition counts upon every new week to bring one more point onto its account. However, the HDZ has a stronger racehorse.

Granic, 'EU Troika' Envoys Discuss Bosnia

LD2109143395 Zagreb Radio Croatia Network in Serbo-Croatian 1300 GMT 21 Sep 95

[FBIS Translated Text] Deputy Prime Minister Granic today received the ambassadors of the so-called EU Troika [all are ambassadors to Croatia]—Spanish Ambassador Luis Felipe de la Pena Fernandez, French Ambassador Jean-Jacques Gaillard, and Italian Ambassador Paolo Pensa, and the representative of the European Commission in Croatia, Sulvia Paulinia.

The ambassadors handed Minister Granic a message from the EU which requests that offensive actions in Bosnia-Herzegovina be brought to an end as soon as possible to speed up the peace process and prevent a looming humanitarian crisis.

Dr. Granic informed his guests about the current situation on the ground and the desire of the Republic of Croatia to bring about, by peaceful means, a just solution to the crisis in Bosnia-Herzegovina and the reintegration of the remaining occupied parts of the Republic of Croatia into its constitutional and legal system.

Croatia believes that the liberation of most of its territory, which was carried out in August, and the latest successes of the Bosnian Croat Forces and the Bosnia-Herzegovina Army in Bosnia-Herzegovina, have led to a new balance of forces which will contribute to speeding up the peace process and the establishment of a lasting and stable peace in these areas, Dr. Granic stressed.

UN Accuses Zagreb of Forcible Return of Refugees

AU2109160695 Paris AFP in English
1516 GMT 21 Sep 95

[FBIS Transcribed Text] Zagreb, Sept 21 (AFP)—The United Nations aid agency accused Croatia on Thursday of violating the international conventions on refugees by forcibly returning hundreds of Moslem and Croat refugees to Bosnia whence they fled.

The UN High Commissioner for Refugees (UNHCR) said Zagreb had repatriated almost 2,000 Moslem and Croat refugees to Bosnia-Herzegovina, despite being urged to stop.

"UNHCR has serious reservations about the nonvoluntary transfer of both Bosnian Croat and Bosnian Moslem refugees from Croatia to Glamoc and Bihac respectively," UNHCR spokesman Mans Nyberg said.

"The fact that these refugees were not given the choice to remain in Croatia upon their arrival there and were instead returned to (Bosnia) without their full consent is tantamount to a violation of the... Geneva convention on the status of refugees," Nyberg added.

The refugees were expelled from the Serb stronghold Banja Luka following the recent offensive by joint Moslem and Croat forces into the Serb-held north of the country.

Bosnian Serbs have been expelling Moslem and Croat civilians from the Banja Luka region and the Serb-held town of Doboj further east as the joint Moslem-Croat offensive sent thousands of Serb refugees flooding into the region.

But having arrived at Dvor on the Bosnian-Croatian border, more than 1,400 Moslems were shipped back to Bihac in northwest Bosnian Tuesday and Wednesday, even as more than 300 Croats were moved to the western Bosnian town of Glamoc as part of an agreement between Sarajevo and Zagreb on resettling refugees.

Observers said the resettlement could be part of a broader programme to boost Croat and Moslem populations in regions recently conquered by joint forces in northern and western Bosnia, as a buffer to any possible Serb counter.

UN Denied Access to Serbs Held in Sibenik, Zadar

LD2109170795 Belgrade TANJUG in English
1634 GMT 21 Sep 95

["Pool" item]

[FBIS Transcribed Text] Belgrade, Sept. 21 (TANJUG)—UN officials have been denied access to 35 of the 38 Krajina Serbs who were handed to Croatian authorities last week at the UN base in Knin.

The group had sought refuge there together with 742 other Serbs after Croatia launched a massive attack on UN-protected Serb Krajina on August 4.

UN spokesman Alun Roberts told TANJUG that UN officials were granted access to the Serbs suspected of war crimes, rape and sabotage in the Split prison, but not in the prisons in Sibenik and Zadar.

The 38 Serbs from the UN base in Knin, including one woman, were taken to Croatian prisons at the weekend under UN escort.

Twenty-one Serbs are now detained in Zadar, ten in Sibenik and seven in Split, said Roberts and added that UN legal experts would monitor the investigation.

Roberts said that UN representatives saw the seven prisoners in Split on Monday when everything was in order, and that they learned on Tuesday that four of them had been transferred to Zadar.

We have not been notified about the transfer or the reasons for such action, he said.

Roberts said that the deputy chief of civilian affairs from the Knin base had gone to Split on Wednesday to ask why the transfer was made and why the UN had no problem seeing prisoners in Split but not those in Zadar or Sibenik.

UN legal experts have investigated the suspects and written their statements for Croatian investigators ... Charges will be dropped where no sufficient evidence exists and such persons will be free to go to Serbia or anywhere else they wanted, Roberts was categorical.

All suspects, except Smilja Erakovic, have voluntarily left the UN base in Knin although the agreement reached between UN envoy Yasushi Akashi and Croatian official Hrvoje Sarinic enabled them to take their families and stay with them in the same building.

Erakovic left with her sister who would not leave her, and they are now together in Sibenik, said Roberts.

She left behind a 12-year-old daughter and an 11-year-old son, while the wife of one of the suspects, a Croat by nationality, remained at the base, he added.

The dispute about the group of alleged war criminals was the main reason why the evacuation of the Serbs who found refuge at the UN base in Knin took more than a month and a half to complete.

At the start of August, Croatian authorities claimed that more than 80 'war criminals' were hiding at the base. The list was then reduced to 62 names, and further slashed to 34 last Friday.

On Saturday evening, barely some 12 hours before the evacuation was due, Croatian authorities added six more names on the list, including one woman, explained Roberts.

Since the start of the crisis, UN officials have insisted that no one can be handed over to Croatian authorities without an indictment satisfying the minimum of legal norms.

The Croatian side last Saturday rejected to present the necessary documents, arguing that the UN peacekeepers were not a party to the legal proceedings, said Roberts.

We found ourselves in a very difficult situation indeed: The evacuation of Serb refugees, who had lived under very difficult and uncertain conditions, had been postponed and there was a possibility of Croatian troops storming the base and taking the suspects away, he said.

Everybody from the list denied that they had committed any crimes, said Roberts and added that an octogenarian and two children had figured on the expanded list.

Personal data for one of the suspects did not match those in the indictment, after which UN officials insisted on doing a finger-print test... It proved that the person was not the one sought by Croatian authorities and he was not handed over, Roberts explained.

'One of the persons on the list had never been in the base so that four more names were added to the first group of 34 suspects,' he added.

Weakness of Serbs, Role of Western Diplomacy Seen

AU2109210095 Zagreb VECERNJI LIST in Serbo-Croatian 21 Sep 95 p 2

[Commentary by Mirko Galic: "Diplomacy of Force"]

[FBIS Translated Text] The speed with which Croatian forces in alliance with the Muslim army are breaking through "Mladic's line" has caused several questions: Are the Serbs militarily weak, or have the Croats (and Muslims) become militarily strong? Is there a "deal" between the two armies in conflict (and their political leaderships), so that the Serbs are giving up in Pale by force what they should have given up without its use? Has the "time of change" come, which comes in all wars when the occupying force does not have the power to hold the territories it succeeded in occupying as long as it was superior from the military point of view, since it had prepared itself for a war (as this was already seen in the 1939-45 war)?

Among all the theses and hypotheses there is one which seems the least possible to me—that the Serbs would voluntarily give up the results they have achieved in this war! By withdrawing their civilians—and the army to the extent they could—from "Krajina," they provided their future war propaganda with new material, since they are already presenting the emigration from Krajina, which was planned, as "a new genocide against the Serbs." Had they been able to retain the situation created by the aggression, they would have remained there; they would not have withdrawn if they had had chances for (equal) fighting. Withdrawals are always a sign and the confirmation of weakness: The deposed "President Martic" can say whatever he wants (if someone still listens to him), but he has lost "the match," and he did not even try to deny this in negotiations.

What do the seized documents—some of them Hrvoje Sarinic took to Paris and showed to journalists—say about the thesis that the Knin negotiators were only stalling for time, without any intention of making an agreement with Croatia on a joint life? Are they not yet another confirmation of what the Serbs wanted? And of what they could not achieve! Since a double power—a military and diplomatic—decided to interfere with the unfolding of events—which revealed the Serbian weakness.

Although I always stress I am not competent in military issues, the theory about a new relation of powers that are changing the fronts in the theater of operations [in the Balkans] seems plausible to me; this is for me the best explanation for the present change of the war luck. As long as they could place their guns on a hill and fire at Croatian or Muslim towns—in retaliation, as a warning, or in an attempt of occupation—the Serbs were like players who do not think that numbers can turn to the other side, that they can begin to lose, or even lose everything they have gained. What would have happened had Hitler been stopped after the occupation of Sudetenland? This might only be an academic or scholastic issue today. Does the same apply to Milosevic: What would have happened had he forced Mladic and Karadzic to accept the Owen-Stoltenberg plan, and Martic to support the "Z-4" plan? Would Serbia have a half of Bosnia and an autonomous Serbian community in Croatia that would be almost "a state within a state"? The Serbian leaders preferred, however, to play the roulette as long as they were winning, so that they neither have the "Krajina" nor a demographic basis for an autonomy in Croatia. And in Bosnia-Herzegovina, if they come to the negotiating table, they will come from the position in which they will have to ask and not to refuse: They are weak and not strong; fragile, not robust; vulnerable, not invincible.

Diplomacy always shows the feeling for such differences: Therefore there was the danger that it would reward the winner who was in this case the aggressor. Luckily enough, diplomacy has in the meantime changed its approach (perhaps its policy too): Instead of even-handedly protecting the nonexisting peace, it—together with the awakened White House and the new Elysee Palace—raised to a higher level of morality and value—that of imposing peace in the name of Western values! The strategic difference is at the same time a significant practical difference: The maintenance of the nonexisting peace meant the protection of belligerents, including those who caused the war (or them at the most); with the policy of imposing peace, however, those responsible for the war are being punished with the help of NATO and the Rapid Reaction Force. This made it necessary to make a clear-cut difference between the aggressor and the victims and to protect the victims, not only from the humanitarian point of view—by supplying them with food and medicines, which enabled the people to die healthier and less hungry—but also by attacking the aggressor, by imposing conditions on him and destroying his war material, which happened for the first time since the beginning of the war.

In short, diplomacy used force, which is another new decisive element in the "treatment" of war and peace on the territory of the former Yugoslavia. Since the Serbs are now confronted with an enemy who is able and wants to wage a war (in order to liberate its occupied territories) and who has the weapons necessary to wage a war, they have lost the military advantage they had for four years; since they lost their allies in the neutral diplomacy performed by the great powers of the Mitterrand type, they also lost the privilege of being pampered—although they were the aggressor—by promises and plans, as if the war had begun with immaculate conception.

The Serbs still have a chance for peace, but not for a victory that would reward their aggression.

Osijek City Leader Switches to HDZ Party

95BA0351A Osijek GLAS SLAVONIJE in Serbo-Croatian 24 Aug 95 pp 1, 3

[Article by Ivica Korman: "The President of the Osijek City Parliament Has Switched to the HDZ (Croatian Democratic Community)"]

[Text] "In the HDZ I recognized a force that will create all preconditions for a return both in the area of eastern Slavonia and Baranja, but also for a quick rebuilding of that part of Croatia. The HDZ has all the predispositions to convert the area of the Osijek-Baranja district into one of the most intensive economic and cultural centers in the Republic of Croatia," said Branko Mihaljevic, president of the city parliament.

ZAGREB. The president of the City Council of the city of Osijek and a former member of the Croatian Social-Liberal Party, Mr. Branko Mihaljevic, joined the Croatian Democratic Community yesterday. On this occasion a press conference was organized yesterday on the premises of the headquarters of the Croatian Democratic Community in Zagreb.

Chief Secretary of the Croatian Democratic Community Zlatko Canjuga expressed satisfaction regarding the switch of Mihaljevic, because this act of the member, until yesterday, of the strongest opposition party represents a joining together with a mutual objective, and that is an independent and sovereign Republic of Croatia throughout its whole territory.

Citing his reasons for switching from the HSLS [Croatian Social-Liberal Party] to the HDZ, Branko Mihaljevic pointed out that his decision was made primarily due to the fact that the Croatian Democratic Community is a party that will, with complete certainty, pass its historical test, or realize the dream of Croats of many centuries: the completely independent and internationally recognized state of Croatia.

"In the HDZ I recognized a force that will create all preconditions for a return both in the area of eastern Slavonia and Baranja, but also for a quick rebuilding of that part of Croatia," Mihaljevic pointed out, and added, "The HDZ has all the predispositions to convert the area of the Osijek-Baranja district into one of the most intensive economic and cultural centers in the Republic of Croatia. In addition, by joining this party, I have also fulfilled a debt to my parents whose desire was precisely an independent and sovereign Croatia. It is important to mention that I joined the HDZ voluntarily, without inducement or any promise and, as of today, I stand at the disposal of the party. As to the City Council of the city of Osijek, I consider it an honorable act to offer my resignation from that position, because

I was elected to that function as an HSLS member," Mihaljevic emphasized.

On this occasion, Branimir Glavas, the Osijek-Baranja representative, expressed his satisfaction, in the name of the HDZ District Council, with Branko Mihaljevic's switch to the leading party.

"The switch of the president of the City Council of the city of Osijek speaks best about the kind of man we are getting in our ranks but also what the situation is like in the city government. The HDZ got a real Croat, a man with a clean past who attempted to act in the HSLS in the interest of Croatia, but became convinced that that party is not contributing well to the city, or the District, or Croatia. It is my wish that this switch should also encourage other members of resistance parties who believe that their elective body, or the citizens, will criticize them if they change parties and join the HDZ. I would especially emphasize how the HDZ is well on the way to assuming power in the city at the next elections to the benefit of the citizens of Osijek and the District and, therefore, the switch of Mr. Mihaljevic is especially significant in strengthening the party," Glavas said at the end.

(More details on p. 3)

The announcement of the representative of the Osijek-Baranja district, Branimir Glavas, about the decline of the Osijek city government has been fulfilled. The president of the Osijek city parliament has switched to the HDZ.

There is no doubt that this switch is also an indicator of the openness of the HDZ and its direction, Zlatko Canjuga pointed out. Assessing this act as a gain for the party, Canjuga especially expressed his satisfaction with the activities of the HDZ in the area of the Osijek-Baranja District.

The switch of the president of the Osijek city parliament, Branko Mihaljevic, to the ranks of the HDZ was officially confirmed in the headquarters of the Croatian Democratic Community. On that occasion a press conference was held at which the chief secretary of the HDZ, Zlatko Canjuga, representative of the Osijek-Baranja District Branimir Glavas, and, of course, Branko Mihaljevic spoke about this party transfer which, with good reason, has attracted the interest of the public.

In connection with this, Zlatko Canjuga expressed satisfaction with the fact that, as previous member of the HSLS Branko Mihaljevic said, he recognized an open party with a clear program and clear aims.

"There is no doubt that this switch is also an indicator of the openness of the HDZ and its direction," Zlatko Canjuga pointed out. Assessing this act as a gain for the party, Canjuga especially expressed his satisfaction with the activities of the HDZ in the area of the Osijek-Baranja District.

According to Branko Mihaljevic, the basic reason for the transfer is his conviction that the HDZ will pass its historical test. In addition, Mihaljevic pointed out how, in the HDZ, he recognizes a party that, in the area of eastern Slavonia and Baranja, will create all preconditions very quickly for a return to and a rebuilding of this part of Croatia.

In the name of the District Council of the HDZ, Branimir Glavas expressed satisfaction regarding the switch of Mihaljevic to the leading party. At the same time, Glavas emphasized that this act is a big gain for the HDZ, but also shows what the situation is like in the Osijek city government.

[Box, p 3]

Branko Mihaljevic on Switching to the HDZ; In the HDZ I See a Force That Will Pass Its Historical Test

"I am switching to the Croatian Democratic Community completely voluntarily, and for several reasons.

"First of all, I recognize in the HDZ a party that will pass its historical test to the end with complete certainty. I see a force that will very quickly create all preconditions for a complete regeneration in the area of eastern Slavonia and Baranja, and then, with experience attained, proven will, determination, merciless effort, and concern for man, carry out the kind of rebuilding and transitional programs that will very quickly make possible for our people a life at a much higher level of income and at much higher standards. I am certain that the HDZ has all the predispositions to make of eastern Slavonia and Baranja, under imminent new trade and geopolitical conditions, one of the most intensive economic and cultural centers where we will know how to trace roads of progress and respect work, effort, and creativity.

"I think that now is the time to stand beside the HDZ, after brilliant actions such as the 'Bljesak' [Flash] and 'Oluja' [Storm], when reconstruction is in sight and when the most difficult depression in our economic history is finally coming to an end.

"Moreover, by joining the HDZ, I am fulfilling a large debt to my parents. Their sacrifice, their dreams about a free and independent Croatia, are being replaced in the nicest possible way by my joining a party that has realized the centuries-long strivings of the Croatian people," stated Branko Mihaljevic.

[Box, p 3]

Zlatko Canjuga: The HDZ Is Carrying Out an Open Policy

It is indisputable that the switch of Branko Mihaljevic is an indicator of the openness of the Croatian Democratic Community and its direction. It is necessary to connect all people with the same objective, and that is a complete, sovereign Republic of Croatia. One of the priority aims of the party is the return of the 4.5 percent of the still occupied part of the territory, which we will attempt to reintegrate by peaceful means. However, if this is not achieved, Croatia has full right to elect the totality of its territories with its own forces, as a sovereign and internationally recognized state. Unity, both party and national, is necessary to realize this aim. Therefore, Branko Mihaljevic's joining the HDZ represents a coming together with a mutual plan, especially after the liberation of a great part of Croatia, which was under temporary occupation by Serbian insurgents. At the same time, I express satisfaction with the actions of the District Council of the HDZ of the Osijek-Baranja District, which is carrying out an open policy toward the public, but also toward the strengthening of the HDZ, Zlatko Canjuga pointed out.

[Box, p 3]

Branimir Glavas, the Osijek-Baranja Representative, on Branko Mihaljevic's Switch From the HSLS to the HDZ: I Foresee the Fall of the City Government

The switch of Branko Mihaljevic, one of the key liberals in Osijek, to the Croatian Democratic Community, from the ruling opposition party in the city, is exceptionally significant for the HDZ. At this time it means the outlook for and future of Osijek. I do not wish to analyze the work of the liberals in the city, but this party transfer says enough about the actions of the Osijek powers. I am pleased and satisfied that such a reputable citizen has become a member of the HDZ, all the more in that he has also fulfilled in this way the wish of his late parents. This will certainly have an influence on the consistent implementation of the HDZ's program in Osijek, because I foresee that the HDZ will again be the ruling party in the city at the next elections. I hope that the switch of Branko Mihaljevic will be an incentive for many other members of opposition parties, and I must point out that there have already been some contacts with key members of the HSLS and the City Authority. The HDZ is the party that can give the most and I can state that there will soon be many switches. In keeping with this, the theory that the city government will soon fall apart is being realized. In this case, the HDZ will temporarily assume power up to the new elections, so that the city does not fall into anarchy, Branimir Glavas stated.

Reorganization of Banking System Proposed

*95BA0352B Zagreb BANKA in Serbo-Croatian
Aug 95 pp 6-7*

[Unattributed article: "Reorganization of Banks and Enterprises: Play It Solvently"]

[FBIS Translated Text] *The state issues an obligation to the enterprise, the enterprise issues stock to the bank, the bank gives the state reorganization, and the taxpayer gets the bill.*

According to Olivier Godron, head of the World Bank mission, Croatia could receive around $100 million in loans at the end of the year for the reorganization of banks and enterprises. However, the Croatian side is expected to accelerate the restructuring and privatization of public enterprises, to adopt laws on privatization, bankruptcy, securities, and investment funds, and to train personnel and strengthen the Agency for Bank Reorganization. After the diagnosis by international auditing firms concerning the business situation of nine banks, that agency would, as early as the end of this year, carry out individual reorganizations of certain banks (Slavonska, Privredna, Istarska, Rijecka, and Splitska). The measures that would have to be taken in the reorganization process are described in an analysis by the National Bank of Croatia [NBH] entitled "Report on the Situation of Commercial Banking in the RH [Republic of Croatia], With Proposed Measures for Reorganization," which has been sent to the Assembly for consideration. In concrete terms, it is proposed that there be "a turn for the better and the adoption of new legal regulations" and "resolve to enter into the process of reorganizing and restructuring a certain number of banks together with their biggest debtors." The proposed simultaneous moves would be implemented in accordance with the law on privatization and the law on so-called major obligations and old foreign-exchange savings, and the result should be an improvement in the solvency of debtors ("through the influx of fresh foreign capital, especially from the emigre community") and of banks—through the sale of previously unsellable major obligations at market prices and by shortening the maturity dates of obligations incurred on the basis of old foreign-exchange savings. We would add to this the increasingly frequent use of so-called swap deals, meaning exchanging a mature claim for debtor's stock.

Nevertheless, this simultaneous move will be very difficult to play out. Why? Because it must be played out solvently, and that is impossible if payments are not made in cash. The state issues an obligation to the enterprise, the enterprise issues stock to the bank, the bank gives the state reorganization, and the taxpayer gets the bill.

Bank reorganization is not alchemy; rather, it is the algebra of bank balance sheets, capital structure, ownership, organization, and management. Thus, the NBH analysis of the balance sheet of the Croatian banking system at the end of 1994 showed that the size of the banks' long-term real estate holdings ($25 billion, or 75.2 percent of total assets) is equivalent to two years of the national social product. The cause: uncollected loans (banks continue to place funds with their stockholders, even in amounts greater than their ownership share in the respective companies), the large internal public debt backed by unsellable or long-term obligations, and the potential losses in the banks' proprietary portfolio. If one adds to this the drop in private savings, the shortage of foreign capital, the low level of solvency, and the high interest rates, it is clear that the entire economy must be reorganized, not just the financing system.

And while the measures are being proposed, adopted, and implemented, the spiral of insolvency grows ever deeper. Or, as the director of one Croatian savings bank recently said, "The dangerous ones are those who accept the interest rate offered them and who can hardly wait to sign a contract in order to get their money." In other words, the dangerous ones are those who do not repay borrowed money. Because of the overall insolvency, the interest burden on the overall economy is growing, smothering even good companies—the only ones that can set economic growth in motion. On the other hand, the NBH cannot act to reduce interest rates because of the quantitative limit on domestic net assets set out by the IMF. Thus, the report reiterates, the solution must be sought in accelerating the restructuring of the economy, reorganizing the banks, and privatizing them.

In this case, the sluggishness of the state bureaucracy could prove detrimental: much political coordination (especially regarding the fiscal consequences of the program and financial support for social security), the enactment of laws, much technical work, the organization of the Agency for Bank Reorganization.... Meanwhile, we could see a serious disruption of the macroeconomic stability only just achieved. This is the warning coming from international financial institutions as well, and it is up to the government to flip the hourglass.

Privatization Agency To Sell Firms at Discount

95BA0352C Zagreb BANKA in Serbo-Croatian Aug 95 pp 8-9

[Unattributed article: "Phantoms for Sale"]

[FBIS Translated Text] The talk of Croatian companies being sold below their nominal price has finally assumed concrete shape. According to a decision by the Management Board of the Croatian Privatization Fund [HFP] adopted at its last meeting of this season, around 100 of the companies in the HFP portfolio will be offered for sale and/or lease in a bidding competition, whereby the bidders will not be obligated to pay the nominal price, although they will be required to include with their offer, besides the price, a top-notch plan for operations, business, investment, and employment.

The common trait of these companies, which Minister of Privatization Ivan Penic calls "phantom companies," is that they are overencumbered with debt, mostly to a greater extent than what has been estimated, for months they have not paid wages, their technology is outdated, they have lost work and markets, and the number of employees is greater than necessary. Not infrequently, these are also companies located in areas threatened by war, companies for whose stock the HFP has not received offers, at least not for purchase at the nominal price, companies that had the same business problems before transformation and that expected them to be solved through transformation. Objectively speaking, these are companies on the verge of bankruptcy, that are standing vacant and do not produce anything, while in some cases the HFP even has to pay for security in order to prevent theft.

The fund emphasizes that the decision on bankruptcy does not also mean an end to concern for these companies, because there is an increasing number of cases where the court is unwilling to initiate bankruptcy proceedings until the company's balance sheet and list of inventory is presented, which there is no one to do at these companies. As a result, the courts are demanding that the fund finance the drawing up of these documents.

In Penic's opinion, being sold below the nominal price could save only half of the "phantoms," and as an example he cites the Tila toy factory in Labin, which he thinks could no doubt resume operations, but with a reduced number of employees.

Another such company is Mural in Mursko Sredisce, whose liabilities are greater than its nominal value. Bolta Jalsovec, member of the HFP Management Board, is convinced that this enterprise would have been sold 10 times already, but someone wanted Mural to end up in this type of situation. Alleging that there are at least

10 vultures waiting for Mural, Jalsovec points out that one of Mural's new workshops alone is worth 3 million German marks.

The idea of selling below the nominal price has been extended, at the suggestion of Mladen Vedris, to include the possibility of leasing. Specifically, Vedris warned that a similar situation could be repeated with hotels on the Adriatic, where they took out loans and invested in renovations, but because the tourist season did not live up to expectations they will not be able to repay the money. "Therefore, for now we should not sell off buildings and workshops, thus foregoing substance. In the first round, we offer the market the enterprises' business operations, and after that we will see...," Vedris proposed, to unanimous approval.

The list of these enterprises is not yet final, but according to the initial HFP assessments the following enterprises, in addition to those noted above, could be offered for sale below their nominal value or for lease: Sirovina, Tomo Vinkovic Foundry, Cromax, and Bjelovar Brickyard in Bjelovar; GP Jadran and Elektromehanika in Zadar; Ghetaldus, GP Tempo, Inker, and TOP in Zagreb; Vulkan Lijev, Rijecka Tvornica Konopa, and GP Jadran in Rijeka; Trnovaca and Dalmatinka in Sinj; Dalstroj and Monter in Split; Trimot and Imota in Imotski; AGI 46 and Autotransport in Karlovac; Duga Resa Cotton Industry, DTP Pilana Ogulin, Kastel Glassworks in Kastel; Adria in Labin; Moderna in Pakrac; and Opuzenka and Poduh in Metkovic.

We recall that the first case of a sale below the nominal price was the takeover of Koka in Varazdin by Vindija. Koka, where the poultry was threatened by an epidemic because there was nothing to feed them, has today been successfully restructured after two years of agony, while the three prior changes by the management board had yielded no results

Status, Views of Croatian Opposition Reported

95BA0359A Split FERAL TRIBUNE in Serbo-Croatian 28 Aug 95 pp 6-7

[Article by Marinko Culic: "Oluja [Storm] Time: What Has Happened with the Croatian Opposition; Strolling in Freedom"]

[Text] In the battle for self-preservation, in which the blows are coming from all sides, and only some are being returned, the opposition has made too many retreats and too many tacit pacts with the government, so that its election substance has been almost completely lost. If this is so, it is not worthwhile torturing oneself with the gossip about how the opposition will fare in the coming elections. It has already lost them.

Will Oluja blow away the Croatian opposition, the way it swept away the Croatian Serbs? That question hangs in the air, although hardly anyone in the opposition dares pose it in public, so the old, "pre-Oluja" prognoses, from which the dust has not even been removed, are still circulating. Tudjman wins convincingly, and the HDZ [Croatian Democratic Community] loses its leading position, believe Stipe Mesic, Josip Manolic, and a few others, while Damir Kajin even foresees that both the president of the state and his party will receive the same, no greater number of votes, but that the inflow of "almost all" from the diaspora will bring an advantage and determine the fate of all of us.

As far as we have succeeded in registering, only Silivije Degen admits that the wind readings in "Oluja" were so high that this cannot be maintained. It even seems to him that this time the HDZ will have to falsify the elections in favor of its competitors, not wishing that they disappear completely from the wind-blown place. But we fear that Silvek, as the "devil's advocate" of the stunned opposition, would not succeed in earning enough even for bread and water. Fifteen days after "Oluja," the first expected shock has hit the opposition, but its leaders have not even undertaken the "a" in anything in order to prevent this. They haven't even known that something is happening. In the middle of last week, Drazen Budisa announced that the leadership of the liberals continues to believe "firmly" that the Croatian Peasants Party is "a partner with which we would have to cooperate." But just two days earlier the HSS [Croatian Peasants Party] had already proclaimed (according to the City Council), and decided just a few days earlier, that it would go to the elections "completely alone," while coalitions will come into question only in the "preelection period." Therefore, the putative party spouse informed the liberals about the divorce through the newspapers, which they, again, have not read.

Patriotic Classes

It is interesting that the Rijeka leadership of the HSS, on the same occasion, criticized the city rulers of Rijeka because of a "poorly organized reception for the Rijeka fighters after the 'Oluja' action." With this there continued a series of attacks on the cities in which the opposition is in power (primarily the liberals: Osijek, Varazdin...), because it allegedly did not arrange a suitable welcome for the liberators. But it happened for the first time that these lieutenants-rebuke do not come from the HDZ, but from the party that is itself oppositional; this means that the division between those who are happily grabbing the liberators and those who are allegedly not doing that has already assumed the form of new election alliances, and this will confuse all those who are clashing with them at the elections (probably as early as this fall or winter). But, here is the end of the story about the great manipulators and their innocent victims. It is, namely, of further interest that even those who are sharply criticizing this classification of Croats into the first and second patriotic league are, nevertheless, themselves feverishly arranging their patriotic classes. Replying in GLOBUS to a remark that he heard that the liberals have reduced their reactions to "Oluja" to congratulations, the president of the HSLS [Croatian Social-Liberal Party] said that he "really does not understand the meaning of these reproaches," moreover, that "the hostility of some individuals in the course of the 'Oluja' action and after it shows that they are indeed complaining that Croatia has finally taken off that noose."

In this way Budisa himself, with his own remark, showed doubt about his theory, incidentally, a sincere one, that the opposition has been a "hostage of the government" during the war, but that a new page is allegedly being turned now. We are afraid there will be more of this. Indeed, all this is beginning to resemble a performance where the opposition, like a poor jumper into the air, is losing height, attempting to deceive its opponents that it can do something, although its crossbar is long unreachable. Instead of this preformance, which is leading nowhere, it would certainly be more useful to analyze why the opposition is now capable only of applause that will again not help it to prevent slipping lower than it has ever been. The majority of the opposition leaders will answer this with the same words, that a complete Croatia was, and still is, the interest of the whole country and that this jumping around is simply not possible. This claim seems to them so self-evident and indisputable that they do not see how the majority of them have fixed their party programs on this single premise. But it, no matter how justified, is not nearly sufficient that it would be a political party (someone who only applauds has his place in public).

That this is so is easy to prove with a hasty inventory of the parties according to the criterion of the basic thing by which we know them. Those that have based everything on the state right of Croats, and entered that in their name, without a doubt now have no reason to continue existing, and can "close up shop." But many others, perhaps the majority, must, if not do the same thing, then think well about their future, because a complete Croatia has interested them primarily, if not exclusively. And it is now here. That this is a question of an unavoidable turning point is confirmed by the fact that many opposition leaders were afraid of "Oluja" beforehand, by all means discreetly; this was not only because of the fact that the popularity of the HDZ would grow with a leap but also because of the fear that they would be faced with the question—who still needs you.

Citizen From Drvenik

To be truthful, it must be said that the Croatian opposition had one bit of bad luck, which was not usual and the majority of other countries do not know it. That is that it practically emerged before its state, developing, so to speak, in a vacuum and often in a completely doubtful connection with its actual needs. It had everything, and still does, from the broken left and unnecessary nationalists to the false right (it is known where the real one is). Thus it would be possible to say that the real party life would begin only now, that many parties would probably disappear soon, and some new ones would emerge, that soon nothing would be like before any more. But for a while yet before the upcoming elections, all would remain as of old, judging from everything, the parties would, in one more assault, but, for the majority, the last, attempt to elect a ticket for a new party position of the Republic of Croatia.

Knowing this, all of them will have to agree on the rules of the race that will determine for them a powerful President-Uniter, whose already announced comparison with Bismarck we completely accept, but with a detail that has been omitted, and that is that this case also involves a policy of "blood and iron" (first for foreigners, next for the Croatian opposition). The basic rule of the Uniter is that all state informational resources be immediately placed in the function of the only possible outcome of the elections, and that is the victory of the president of the state and his party. Toward that aim everything has been permitted, as well as the open weakening of television, as in the case of the letter to the president from "Uncle Svetina," who certainly has no idea that he served as the prototype of the future ideal citizen ("I don't need anything; I would only like to talk with you a little"). The just freed Knin was also used in the same manner, as an election poster for the promotion of the president ("The man who wins"), from whom even his distant admirer, Alain Finkielkraut, distanced himself, while Budisa crossed over this only with mild irony and with the "honest" admission that the current Croatian government is nevertheless the most worthy for the liberation of "Krajina."

Meeting of the Desperate People

The official liberal question "how" (how was this done and how are we arriving at a state with full borders) has not been heard, although the president of the HSLS was, we read, in the rare position to hear the most terrible testimony of direct witnesses. The NOVI LIST columnist Drago Pilsel, a Croat from the diaspora and a passionate Christian altruist—who has not felt comfortable for a long time in the Croatian national character that he sees about him, and, it seems, less and less in the faith of his church—found him while he was cleaning his family's house in Drnis. And he informed about the brutal murder of two old people, a blind Serb and his wife, whose bodies were then thrown on automobile tires and set afire, but it was said officially that they were killed while fleeing—and he, president of the largest and most influential opposition party, looked at him with "disbelief" and timidly recommended that he check that "story." It was a conversation by two desperate people, both visibly drowning, each in his own torment, the first in the opportunism of politics, the second in the incorruptibility of pure faith. And they couldn't even help one another.

This is exactly what is most depressing in this story. In the battle for self-preservation, in which the blows are coming from all sides, and only some are being returned, the opposition has made too many retreats and too many tacit pacts with the government, so that its election substance has already been almost completely lost, which should be the combination of about what is expected from a good teacher and a skillful lawyer. Thus the opposition has atrophied not only in the sense of the power that it should have in the state but still more in the sense of the values that it will support and defend not only in Bosnia-Herzegovina or Ruanda but also in its own house. In the last broadcast of "From a Foreign Life," only the small and not dangerous Social-Democratic Union dared to separate "Oluja" from the required triumphal arches and put it in the context of the "crazy" objectives of creating ethnically clean states.

If this is so, it is not worthwhile torturing oneself with the gossip about how the opposition will fare in the coming elections. It has already lost them.

[Box, p 6]

Marin Jurjevic, President of the SDP [Party of Democratic Reform] in Split: We Are All Deserving

"Oluja" was carried out on the backs of common men, and not on the backs of any political party. All the more that there are no reasons for anyone to seize its results for himself—although the attempt at such instrumentalization is obvious. I hope that the "Oluja" action did not have the aim of "sweeping away" the opposition, but of resulting in the liberation of Croatian territory.

Our criticism of ruling policy is not, therefore, connected to support of "Oluja," because it is not a party matter. The SDP finds its space in the area of work and the protection of its interests, so its chances are as great as the extent to which the voters want to vote for themselves this time, and not for slogans and empty promises, on which, as we see, it is hard to live.

[Box, p 6]

Drazen Budisa, President of the HSLS: Season of Blackmail

The surveys that have been carried out show that "Oluja" increased the popularity of the HDZ and Tudjman. Such a result could have been expected. Knowing the HDZ, I don't doubt that they will do everything in the preelection, but second plan, to exploit, to the maximum extent, from the party standpoint, the victory of the HV [Croatian Army], which, if it should be emphasized at all, is our mutual Croatian Army.

It is interesting that, on the eve of the "Oluja" action, and even during it and after it, there was powerful pressure in local areas on the officials of the opposition parties; with offers, blackmail, and various pressure tactics, to switch to the HDZ.

The tendency toward consolidating a one-party monopoly is increasingly clear; it is even increasing. I hope, nevertheless, that the one-party system has stayed fresh in people's memory, and that the citizens of Croatia will vote at the upcoming elections so that we eliminate the one-party system once and for all.

[Box, p 6]

Nenad Klapcic, Secretary of the Club of the IDS [Istrian Democratic Union]: Moles in the Opposition

An authentic opposition policy cannot be carried out if, in opposition parties, especially larger ones, certain politicians act like an extended arm of the ruling party. We have, as is known, through varied internal-party discussions, dealt with individuals who have obstructed, hindered, and paralyzed every advance of credible opposition initiatives and connections.

According to our assessment, the strength of part of the opposition, including the IDS, will continue to compete only within the boundaries of individual districts and cities; we in the IDS do not want to be satisfied with this.

We do not doubt our renewed election strength, but a great lack of success can be experienced precisely by those political parties that have delayed their internal breaking up of layers and maturing too long and those that have exhausted their policy in supporting the war option, which has now been realized.

[Box, p 6]

Miko Tripalo, President of ASH [Action of Socialists of Croatia]: "Oluja" Did Not Sweep Us Away

I believe that "Oluja" did not sweep away either the HDZ or the opposition. The Croatian people and their army are primarily deserving of its results. To attribute all the credit and genius to anyone means to return again to that which, in theory, is called the law of the mob, in which only one thinks and leads, and the others only listen.

Naturally, the ruling party needed a spectacular success, in order to attribute it to itself, and eventually to proceed to elections, since their chances are increasingly less.

Granting them recognition for a complete Croatia, I am sure that they are not capable of leading Croatia under the conditions when it would have to become a democratic, social, and legal state. They can lead us only along the wrong road. And that is a chance for the opposition.

[Box, p 6]

Josip Manolic, Vice President of the HND [Croatian Independent Democracy]: Our Policy Has Won

"Oluja" will not substantially affect the mood of the elective body. I am convinced that it should not be interpreted as the victory only of one party, but as a victory of the Croatian people and the army over a radicalism that did not comprehend the relations of the change of forces in our areas, but only insisted on secession, as the only solution of the Serbian problem in Croatia. Therefore, this is a victory of the whole of our people, and with this of both the opposition and the ruling party.

Naturally, we will "count ourselves again" in the election campaign as to who represented what views and whether we could have carried out that "Oluja" two years ago and thereby reduce the casualties that we had to sustain.

I can say with pride that the policy in "Oluja" that we represented was victorious. Specifically, in order for the necessary conditions of victory to be fulfilled—an intensive cooperation with Bosnia-Herzegovina and a tacit approval of large forces because they, as has been shown, are the components of success.

[Box, p 7]

Stjepo Martinovic, Secretary of the HNS [Croatian National Party]: Privatization of Military Action

We reject the attempts of the HDZ to privatize "Oluja." Nevertheless, we are aware of the reality that the perception of the public is such that all opposition parties have, to a certain degree, lost the public dimension and influence on the public.

The most that the opposition has been able to do is fundamentally support the action, as part of a project of resistance to the greater Serbian aggression and to the completion of the creation of an integral Croatia.

But the resistance has weakened, at least for two reasons. First, we were not included in the political part of "Oluja," either toward the outside or toward the inside. We were suppressed.

Second, this is now a new situation for us, on the one hand partly frustrating, and on the other doubtless challenging, because we are in a situation of defining our vision of Croatia and redefining the general criticism of the ruling party.

Commentary on NATO Document on Extension to East

WS2109140495 Warsaw RZECZPOSPOLITA in Polish 21 Sep 95 p 5

[Commentary by Maria Wagrowska: "Poland—NATO; Without Frustrations"]

[FBIS Translated Text] Yesterday in Brussels, NATO approved the first study on the extension of the organization to Central Europe. The authors of the document attempted to provide answers to two fundamental questions: Why the club of secure, democratic, and affluent states should admit countries located between West Europe on the one hand and Russia and the Commonwealth of Independent States on the other, and why it should admit countries that are still building democratic systems and market economies. The other question was how this should be done so that the West's security will not suffer and so that the security of countries located in the "gray area" will not be jeopardized.

However, the "sixteen states" failed to provide answers to our questions: Which of the 11 states might finally be admitted to the organization and when this would happen. The countries of our region have been waiting for these answers for at least 20 months now—that is, since the time leaders of the "sixteen states" supported openness toward the East at a summit meeting in Brussels. No one is deluding himself: We will have to wait a long time for membership in the Atlantic club. Even if the next NATO study, scheduled for this December, singled out, for example, Poland, the Czech Republic, and Hungary as the countries that stand the best chance of joining NATO, a long time would have to pass until they would actually be admitted.

However, frustrations must not guide one's actions. It is better to rely on a realistic assessment of the situation. First of all, it is worth noting that, despite the fact that relations with Moscow are becoming increasingly complicated, NATO has not given up the idea of expansion. One should appreciate the fact that the United States, which has been regaining its leading role in the organization in the past few weeks, is the strongest supporter of admission of fledgling democracies to NATO. Western states are first clarifying among themselves all doubts and reservations regarding the future membership of Central Europe, which is probably better than if they were to make a decision that was not thoroughly thought out.

Unanimity of the "sixteen states" on the nuclear umbrella over our countries, as well as on the political and material costs of the expansion, is one of the conditions ensuring strength of the organization. Poland and the remaining countries of the Central European region should be no less interested in this than the present member states. A strong NATO, in the political and military sense, will also guarantee our own security.

There is also one more reason one must not yield to frustrations. Disappointments may lead to the search for other solutions. However, there is no reasonable alternative to membership in NATO and in euro-atlantic organizations in general. This membership spells not only a guarantee of security, but also a chance for political and economic promotion, as well as improvement in many other areas. Therefore, the biggest mistake we could make would be to give the impression that Poland does not want this membership as much as it says.

NATO Affordability, Tightfistedness Examined

95EP0183A Warsaw GAZETA BANKOWA in Polish 13 Aug 95 No 33, p 21

[Article by Pawel Wieczorek: "Can We Afford NATO? Modernizing Our Military's Equipment Will Cost at Least 80-100 Trillion Old Zlotys"]

[FBIS Translated Text] Seen from the political and military standpoint, the issue of Poland's membership in NATO is not subject to discussion. Still, the cost of this undertaking, upon which hinges Poland's fulfillment of the obligations ensuing from the Washington Treaty to an extent sufficing to commence formal integration, must be considered.

Not Everything at Once

The integrative process can be, fortunately, markedly protracted in time and implemented in stages. Priority should be given to making it possible for the Polish Armed Forces to cooperate with corresponding NATO forces, which requires implementing a large number of specific projects in such domains as the organizational structure of the military, command, reconnaissance, national air defense, operations of the naval forces, and logistics.

Attaining the targeted model of cooperation, however, will take 15-20 years, although this does not preclude the possibility of Poland's earlier inclusion in the coalition alignment of forces. The timetable for the needed measures and the scope of the integration will be settled upon through negotiations with NATO countries, on the basis of the already existing practical experience.

Constructive Optimism of Staff Personnel

The organizational and structural adaptation of the Armed Forces and their operating mechanisms to NATO standards and procedures is, in the opinion of experts at the General Staff of the Polish Army, already greatly advanced. These experts estimate that within two or three years (by the end of 1997) it will be possible to attain a level that will assure the assumption of close cooperation between Polish and NATO Armed Forces, inclusive of operational coordination. The related projects do not require particularly high outlays, and, in principle, in some cases even no investments will be needed. According to more conservative estimates, attaining that level will require more time (at least four to six years) and may, after all, involve a substantial financial burden.

What About the Equipment?

The discussion is focusing on the issue of the urgent need to modernize Polish military equipment. The weaponry available to the Polish military is in many cases obsolete or outworn. The level of modernity of military equipment, as measured in the ratio of up-to-date equipment to the total equipment available, ranges from 5 to 35 percent, depending on the nature of the equipment, and is below NATO standards (40-45 percent). The problem is, however, that, according to certain assessments, providing the Polish military completely with modern equipment in the quantities envisaged by the appropriate norms would require allocating 1.1 billion zlotys for that purpose (1,100 trillion old zlotys in 1994 prices) within the next 15 years. That is clearly an abstract concept, because then arms procurements would cost on the average 68 trillion old zlotys annually, or much more than the entire budget of the Defense Ministry for 1995.

The above-cited estimates of the cost of modernization were drafted on the premise that, first, all the quantitative limits envisaged under the Treaty on Conventional Armed Forces in Europe (CFE) will be fully utilized and, second, that the Polish Armed Forces must match the standards of the most up-to-date NATO armies. Thus these assumptions hardly take into account our economic realities.

According to much more modest estimates, meeting the most urgent needs of the Polish military for weaponry and military equipment at the minimum level required for commencing cooperation with NATO forces would require allocating 80-100 trillion old zlotys for this purpose.

NATO Is Rather Miserly

NATO representatives have repeatedly voiced their fears that Poland's inclusion in the alliance would mean that NATO would have to invest in considerable outlays on the restructuring and modernization of our military. At present in the countries of the North Atlantic alliance there is a lack of political will and social support for investments of this kind, which would be tantamount to relinquishing at least a part of the so-called peace dividend. The steadily diminishing funds which individual governments of NATO countries intend—and are able—to allocate for military purposes do not allow the launching of a broadly conceived program for providing financial and material support to Poland and other Central European countries on their road to NATO. Moreover, allocating appropriate funds for the Central European countries would mean, on the principle of the zero-sum game, the need to reduce the funds channeled to the least developed countries of the alliance (Spain, Portugal, Turkey, Greece).

The pace and scope of the adaptation of the Polish military to NATO requirements thus depend chiefly on the magnitude of the funds that our state budget can allocate for this purpose. The condition of our finances does not warrant any substantial increase in outlays on national defense. In practice this means that the share of such outlays in the GDP will probably not change markedly in the very near future and will continue to be below 3 percent. This worries the military, who are demanding the implementation of the law passed by Sejm last February, requiring an increase—by the end of 1997—in the outlays on national defense to the already mentioned level of 3 percent. We have considerable problems in financing the Partnership for Peace, which for this year presupposes implementing 260 different projects, including several scores of joint exercises. The 1995 budget of the Defense Ministry earmarks for this purpose only 200 billion old zlotys. It should be borne in mind in this connection that the Partnership program is just one, altogether relatively inexpensive part of the highly complex process of Poland's joining the NATO structures, whose overall cost is at present still difficult to estimate. There is no doubt, however, that it is we who will have to bear the brunt of the financial burden of Poland's membership in NATO.

Agricultural Stumbling Block in EU Talks Viewed

95EP0149A Warsaw NOWA EUROPA in Polish
20 Jun 95 p 22

[Article by Jan M. Stankiewicz, Brussels: "Minister Jagielinski's Third Way: Discussion of Integrating Polish Agriculture Into the European Union"]

[FBIS Translated Text] *The latest discussion between European Union parliamentarians and Polish representatives has indicated that it is possible to achieve a compromise on the issue of integrating our agriculture into the structures of the European Union.*

From the moment when the admission of Central and East European states to the European Union began to be discussed in earnest in Brussels and other capitals of the European Union, that is, for close to two years, not a single Western expert has had any doubts that extending the common agricultural policy (CAP) to our agriculture will be one of the fundamental problems to be resolved en route to complete integration between Poland and the Union. The governments which have traditionally been hostile toward the CAP as "a bottomless pit for money from common coffers," especially the British Government, called for dismantling the CAP on the pretext that expanding the union eastward would be out of the question otherwise. This triggered a response from the French and other CAP defenders which could be summarized by the pointed "over my dead body."

As always, in the European Union there were also those who sought a compromise. A new trend surfaced both within the European Commission and in the member states interested in keeping the CAP, to the effect that it was possible, and even necessary to do without a radical reform of the CAP. Considerable efforts are required of associated states, and upon their admission—lengthy transitional periods in which there will remain a border between the agricultural market of the Union and that of new members; gradual adjustment will occur with support being provided from the Brussels coffers.

Most Polish representatives negotiating with representatives of the Union on this topic initially agreed with the statement that agriculture is an obstacle in our path to the membership status. The implementation of a new and radical CAP reform by the Union was promoted in order to avert a shock which the prospects of tremendous outlays to finance the extension of this policy to Polish agriculture could give the politicians and common taxpayers of the union.

A proper discussion of this issue based on credible data and projections has actually never taken place in Poland. Two opposing schools of thought on the future of Polish agriculture have evolved. The proponents of joining the Union as soon as possible have called for a profound restructuring, including the liquidation of many farms which are too small and are doomed to being unprofitable in a contest against highly productive competitors from Germany, France, Denmark, or the Netherlands. This has provoked a response from the "peasant lobby" which has boiled down to denying that integration makes sense.

A meeting of the Joint Parliamentary Commission of the European Union and Poland which was organized last week in Strasburg indicated that the government and some PSL [Polish Peasant Party] deputies, at any rate the Deputy Prime Minister and Minister of Agriculture Roman Jagielinski and PSL Deputy Jan Borkowski, the Polish cochairman of the commission, could see a third way. While rejecting a revolution in Polish agriculture, they outlined a concept of its gradual, mild transformation within the framework of the Union and with support from the latter. Trying to persuade his interlocutors from the Union that this does not pose a danger to farmers from the European Union or the latter's joint coffers, Jagielinski argued that our agriculture is not at all as backward and does not differ from the "average" for the Union nearly as much as certain "pessimists" on both sides put it.

In the opinion of local experts, this could be the starting point for a future compromise with the Union, but on two conditions: that the status outlined by Jagielinski is realistic and, first of all, that the evolution which, according to the deputy prime minister, Polish agriculture is already undergoing, has indeed begun and will proceed consistently with support from the Polish Government, and that this is not about setting up a smoke screen and trying to buy time. One can hear this in the European Commission: "We would like to believe that Jagielinski sincerely wishes to bring Polish agriculture into the Union, but first we must know where we really stand."

This is not all that easy. Nobody here believes that the Union's statisticians are infallible or that the data regularly published by the Statistical Bureau of the European Union, so-called Eurostat, is unassailable. However, the "fluidity" of data supplied by the Polish side (after short intervals, too) is too great, complain the union experts. This undermines the credibility of assurances that changes in Polish agriculture are proceeding in the appropriate direction, and that its full admission to the CAP is possible within 15 years, of which 10 years would constitute a period of transition after the official admission of Poland to the Union.

How can one figure out what is going on if each subsequent meeting with Poles results in new revelations (frequently from the same lips) about the area of farmland, the number of farms (and thus the average farm size), the progress of PGR [state farm] privatization, and so on. The meeting proved that nothing has changed in this regard. Each of the speakers talked about a somewhat different agriculture. After all, there is a difference between having 18.6 million hectares of farmland in Poland, as representatives of the Union maintained on the basis of data recently received from Polish sources, and having only 15.3 million hectares, as Jagielinski maintained. Does the number of farms come to 2.5 million or only 2 million? Are most PGR's still to be privatized, or, quite the contrary, are most of them privately owned already?

It is uncertain all the more how fast changes occur in Polish agriculture and what their direction is. Do compensatory fees and other forms of protectionism serve to temporarily protect farmers until such time as they stand on their feet, or to perpetuate a living-history museum in the center of Europe? Does the government facilitate transformations in sectors providing supplies and services to agriculture in the area of procurement and processing, or does it protect cumbersome monopolies?

Until such doubts are dispelled it is hard to say how officials from the General Directorate of Agriculture in the European Commission will cope who are preparing a second white book on Central and Eastern Europe; this time, the book is devoted to the condition of agriculture in associated states and proposed ways for mutual rapprochement. This document is supposed to be ready for the European Union summit in Madrid and will form the basis for the future strategy of the union with regard to our agriculture.

Presidential Candidate Piotrowicz Outlines Program

LD2109195795 Warsaw TVP Television First Program Network in Polish 1730 GMT 21 Sep 95

[Relayed by Warsaw TV Polonia Network in Polish]

[FBIS Translated Text] Common sense, justice, health—this is the slogan of the electoral program of Kazimierz Piotrowicz, running for the office of president. He is a 50-year-old locksmith from Chrzanow. Piotrowicz presented his electoral program in Krakow today.

Kazimierz Piotrowicz proposes to the electors a reform of the system for the holding of power. Every person in the state running for high office should have behind him at least a four-year precandidacy term. This would apply to both officials and members of parliament. Political parties, which in the opinion of the candidate are the cause of the bad functioning of Polish democracy, would not run in elections for parliament. In the view of Kazimierz Piotrowicz, the most important state decisions should be made in nationwide referenda. The candidate for president counts on the fact that, if he is victorious in the election, parliament will support his plan for the reform of the state.

[Begin Piotrowicz recording] Parliament should join in with these actions so as to bring about this new system, which, after all, does not take away opportunities from any of these parliament members. Everyone of them can join in such a system for the emergence of the authorities and administer this power. [end recording]

Kazimierz Piotrowicz announced that he will seek a reform of the social security system and changes in the forms of privatization, which should become a process of property enfranchisement of the nation. In the view of the candidate, the implementation of these plans will also help contain unemployment.

Freedom Union Deputy on Election, Party's Future

95EP0179A Krakow CZAS KRAKOWSKI in Polish 2 Aug 95 p 11

[Interview with Jan Maria Rokita, Freedom Union deputy, by Andrzej Patula; place and date not given: "A Symbolic Dispute Over Poland"]

[FBIS Translated Text] [Patula] Freedom Union leaders have distanced themselves from the idea of the "Three-Fourths Initiative." Union Chairman Leszek Balcerowicz has claimed that this initiative did not come from the governing body of the party and that there is no need to propagate the proposal made in Krakow.

[Rokita] Various people inside and outside Freedom Union differ, for various reasons, in their attitude toward the "Three-Fourths Initiative." The skeptics within the Union argue chiefly that during the electoral campaign the Union's members should not be involved in actions that are not official party actions. The skeptics outside the Union, on the other hand, argue that in Poland a negative electoral campaign does more harm than good. The example of Tyminski is cited as a definitive one in such cases. Like any other political notion, the "Three-Fourths Initiative" has its pluses and minuses. Certainly, it creates a political precedent. In the United States it is normal for civic affairs to occur in terms of "pro" and "con" committees. In Poland so far there have not been any "con" committees. I am one of the authors of this idea and I'm fully responsible for both its good and its bad sides. I do not intend to distance myself from it either. At the same time I do not want to do anything relating to the "Three-Fourths Initiative" that might place me in conflict with my own party. The electoral campaign is not a good moment for this initiative.

[Patula] Who are the other authors of this initiative?

[Rokita] Its idea was conceived during prolonged talks held in Krakow among persons linked to the former National Association of University Students, dating back to 1980. They are not nationally known politicians, and this is a local, Krakow initiative. There was no plan to recruit the support of Freedom Union for it. But it was hoped that it would meet with understanding from the Union's presidential candidate Jacek Kuron. There was a time when it was thought that this would indeed be so. Jacek Kuron sent to members of Freedom Union at the congress of Krakow, at which this initiative was discussed, a letter welcoming it warmly. Later he changed his mind and decided that this would harm his campaign. I consider his stand to be disappointing and, speaking sincerely, not quite understandable.

[Patula] Does this situation threaten a schism within the party?

[Rokita] I think you are seeing a bit too much of what you would like to see, much more than can and should be seen. Should a schism within Freedom Union be really desired, some members would propose their own candidate for president, on their own or in concert with other Solidarity-camp parties. Then the breakup of Freedom Union would occur readily, rapidly, and pleasantly. Since it has not happened, this proves that the fears of sympathizers and hopes of opponents for breaking up the Union are illusory.

[Patula] Still, there are some Union members who are publicly and openly declaring their support for candidates other than Kuron, such as President Walesa or Hanna Gronkiewicz-Waltz.

[Rokita] A few individuals from Freedom Union in Suwalki, while in Krakow, joined Adam Strzembosz's electoral committee. Some activists in Suwalki at one time supported Lech Walesa. For now the fact that some Freedom Union activists are involved in the electoral committees for other presidential candidates is of a marginal nature and is not a problem. A more real problem for the Union is the rather considerable divergence between regular Union voters and Jacek Kuron's potential electorate. The selection of Kuron has quite markedly antagonized Freedom Union voters. The most optimistic polls show that only 40 percent of these voters favor Kuron as a presidential candidate, while 20 percent are definitely opposed to him. This is a big problem for our party, and one that apparently is inevitable. Aside from Tadeusz Mazowiecki, who neither wanted to nor could become a presidential candidate, there is no other Freedom Union politician who could be acceptable to an overwhelming majority of our voters. Anyway, the lack of nationally known and respected figures is a characteristic of most post-Solidarity parties.

[Patula] Would the "Three-Fourths Initiative" result in the birth of a new party?

[Rokita] The "Initiative" will be an ad hoc project, a short-term one, that will be terminated once the new Polish president is elected. It does not represent an attempt to create a new stable political institution or party. As is known, I personally have been, and remain, critically disposed toward my party. A political party is not an institution to which a man devotes his entire life. In no case, however, do I intend to become one of those politicians who can only destroy without being constructive. One would first have to be certain that one could accomplish more and be more effective in another, better party. So far this has not happened.

[Patula] How, basically, would the "Three-Fourths Initiative" be implemented?

[Rokita] The "Initiative" does not exist as such as yet. Its idea has elicited considerable and varied controversy, which caused it to be postponed for a time. The organizers of the "Three-Fourths Initiative" predict that it will commence in early August. Its purposes are clear. First, to cause the supporters of various presidential candidates to reach a consensus and support the "anti-Kwasniewski" candidate who would garner the most votes during the first round of the elections. Even now this project requires extensive preparations. Second, we want to present publicly the reasons why Kwasniewski's electoral victory would be dangerous to Poland. Social awareness of this issue is very low, and the politicians do not discuss it. As a consequence, public opinion has not been mobilized against Kwasniewski. We would like to mobilize it for this purpose, because we believe that major grounds for it exist.

[Patula] What do you see as the peril to this country in the event of Kwasniewski's election?

[Rokita] Aleksander Kwasniewski, who is considered an intelligent, open, and likable politician, has basically always been a vacillating person, fearful of making his own opinion known, and shying away from the pursuit of clearly defined and lucid principles in politics. As a politician his approach may be symbolized by his conduct regarding the granting of immunity to Ireneusz Sekula or by the escape on a ladder from a window to avoid the necessity of stating some difficult truth. It is my belief that a politician of this kind should not be president at a time of such difficulty for Poland. Moreover, a Kwasniewski victory, especially if it is a victory over Lech Walesa during the second round of elections, would be a symbolic victory of the former Communist Poland over independent Poland, and of the Communist system of society over the Solidarity one. To me and to others who share my views and past, that would be a generational disaster. It would harbor grave social consequences.

[Patula] Why?

[Rokita] If nowadays, under the government of Oleksy and the presidency of Walesa, we are witnessing how the former PZPR [Polish United Workers Party] nomenklatura is raising its head in various places in Poland, after a Kwasniewski victory we would witness its triumph, on every step, in every township. And consider another important factor: Poland is entering upon a stage that is very difficult as regards the international situation. This is linked to the declining interest of the Western world in Central Europe and the considerable pressure being exerted by Russia on Poland. Under these circumstances, a Polish president who belongs to a party with strong eastward-oriented roots would prove very risky to Poland. It may be that within the next five years the president will have to take various decisive and risky steps. To put it plainly, I fear the Russophilic tendencies of the camp of Pawlak and Kwasniewski.

[Patula] Is it a normal and healthy situation for the party when Mazowiecki, who enjoys the greatest support of Freedom Union members, is merely a rank-and-file member of the Union?

[Rokita] Tadeusz Mazowiecki lost out at the party's national congress, and his ability to act within the party has become markedly limited. All the same, in public awareness Mazowiecki is considered the most authoritative political figure. He is a man who may yet play a crucial role at a difficult moment for Poland, but this is not necessarily bound to happen.

[Patula] Willy-nilly, Freedom Union will have to declare its support for a particular candidate during the second round of the elections. Nothing indicates that Jacek Kuron will survive the first round.

[Rokita] I believe that my party should, along with the others, participate in the process of reducing the number of candidates, perhaps even before the first round of the elections. But I am certain that, if the predictions prove true and the contest during the second round is between the representative of the Democratic Left Alliance and someone representing one or another fragment of the former Solidarity camp, Freedom Union will support the latter candidate. This will not be a difficult and controversial decision. The candidates presenting the most serious challenge to Kwasniewski include Hanna Gronkiewicz-Waltz, Jacek Kuron, Adam Strzembosz, and Lech Walesa. At the moment their chances are about equal.

[Patula] Why is it that in the latest polls Jacek Kuron ranks lower than he did at the beginning of the electoral campaign?

[Rokita] Even earlier, in April and May, the polls showed this decline. That happened following the notorious bicycle accident, which was reported, in a gossipy manner, by media that were hostile to Kuron. For example, the weekly NIE [expansion unknown] tried to make it sound as if Jacek Kuron had not fallen off a bicycle but rather has brain cancer. A dishonest Wiadomosci TV reporter filmed Kuron at a Freedom Union meeting in such a way as to strengthen the rather crude "whispering campaign" about the candidate's alleged drunkenness. All these rather base propaganda tricks have adversely affected Kuron's electoral campaign. The only good thing about it is that all this happened early, rather than at the last moment before the elections. Currently the electoral staff and the candidate himself are facing a great deal of work in order to find the best ways of propagating the truth about Kuron. Much depends on this, because whispered rumors play a huge role in electoral campaigns.

[Patula] According to the polls, since Jacek Kuron was picked by Freedom Union as its presidential candidate and Leszek Balcerowicz as its party chairman, support for Freedom Union among voters has been declining. Is this accidental, or are these the reasons for that decline?

[Rokita] Opinion surveys, especially the most authoritative ones conducted by the CBOS Public Opinion Research Center, show that for about the past two years the Union has received the support of 8 to 15 percent of voters, depending on the timing of the poll. Thus, interpreting voter support on the basis of a single major poll taken last June, which indicated 8 percent in favor of Leszek Balcerowicz, would be premature. It can certainly be said that following Freedom Union's congress last April nothing has happened to cause a surge of voter support for the Union, even though that was the wish and the expectation last April. Any other appraisal would be premature.

[Patula] How do you assess the decisions made by the National Congress of Freedom Union?

[Rokita] I supported Hanna Suchocka as the presidential candidate, but most delegates decided otherwise. I think that this was linked to certain hopes and political speculations about the chances of building support for a strong center-left presidential candidate in Poland. Had that really proven possible, then the undertaking would have made sense. Soon afterward, however, the Labor Union nominated Mr. Zielinski as its presidential candidate, and Mr. Kwasniewski did not even for a moment consider resigning in favor of Kuron, contrary to what less savvy politicians here and there had been expecting. As a result, the notion of a serious center-left candidate failed, and Jacek Kuron has become yet another in a line of candidates running behind Kwasniewski.

[Patula] How do you assess the selection of Leszek Balcerowicz as the new Union chairman?

[Rokita] I was opposed to him, because in my opinion a desirable reorientation of the Union toward the right would be simpler under the leadership of Mazowiecki than under that of Balcerowicz. But over the last few months nothing has happened to make me feel apprehensive about it. On the contrary, as regards the Union's ideological direction, it is taking shape more smoothly than it did when Mazowiecki was chairman. For example, the new chairman forced a group of Freedom Union deputies to drop the absurd proposal to appoint an antichurch Sejm investigating committee. To be sure, the Sejm Caucus of Freedom Union Deputies got rid of Mrs. Labudowa a bit too readily, which harmed the party's image for a very long time. Much seems to indicate that after years of vacillation and inability to reach a consensus, Freedom Union will become part of the international community of conservative-Christian democratic parties. All this could not have been achieved earlier.

[Patula] The elections to the Union's Krakow chapter were probably not very gratifying to you. It was officially declared that you are arrogant and more interested in making decisions when telephoning the central party offices in Warsaw than in the problems of the local chapter.

[Rokita] This is not the first time my character has been criticized. During the regional convention some Union activists criticized me on the grounds that I am insisting on a rightist direction for the Union and showing little, if any, enthusiasm for the Union's presidential candidate, Jacek Kuron. That is true. Others have said privately that I have failed to make the party's voice heard by the Krakow city fathers, and that perhaps even I am protecting them from the influence of my own party. These are not fanciful notions.

[Patula] When can we expect the political system in Poland to gel?

[Rokita] According to a hypothesis spun by politicians from the present governing coalition, not much more time will pass before dreams of a so-called orderly political scene will become reality. The main current of political life in Poland will consist of the moderate and relatively liberal Left headed by Messieurs Kwasniewski and Oleksy, along with a peasant movement linked to the Roman Catholic Church, to Catholic values, and to a nationalist and anti-European tradition, headed by Messieurs Pawlak and Stefaniuk. And perhaps in the center, as if balancing the scales, there would be one or two parties that would appeal to the liberal social elite of several large cities. I would not exclude this hypothesis completely.

[Patula] The leaders of the Polish Peasant Party and the Democratic Left Alliance are already trying to translate this scenario into reality....

[Rokita] And they may yet be able to do so. This is promoted by the elitist nature of Freedom Union and the rather depressing disintegration of the rightist parties. Such an order may be brought into being at the price of the historic political defeat of the heirs of the democratic and anticommunist opposition of the 1970's and 1980's. Nowadays the prospects for a rapid appearance of order on the political scene are the prospects for the peace of the cemetery for the parties and politicians of Solidarity origin.

[Patula] What if Walesa stops Kwasniewski? We would then be dealing with a perpetuation of the current unfavorable political alignment?

[Rokita] That, of course, would not be the best solution for Poland, but it would be the better of two evils, considering the threat that the Communists might gain the monopoly on power. Whatever else might be said of Walesa, in the present circumstances he is a major obstacle to any extensive power grab by the former PZPR nomenklatura. This is the role that he would also play should he win the elections. This alone is reason enough for Walesa to be supported against Kwasniewski. A contest between Kwasniewski and Walesa would, moreover, symbolize the dispute over Poland. In no case would I be happy about Walesa's election, but I would view it as a way of effectively continuing to engage in politics. Kwasniewski's victory, on the other hand, might mean that for the next two years, more or less, this possibility might be closed to people who share my views.

Oleksy on Government TV Access, Media Issues

LD2109200495 Warsaw TVP Television First Program Network in Polish 1730 GMT 21 Sep 95

[Relayed by Warsaw TV Polonia Network; from the "Wiadomosci" program]

[FBIS Translated Text] Prime Minister Jozef Oleksy, during a meeting with public television employees, announced that he will respect the independence of television. The prime minister stressed that the government ought to have the right to present information about its activities directly on television.

[Correspondent Lukasz Perzyna] The prime minister said that there exists a sphere of joint responsibility of the government and public television for the state and for the changes that are taking place therein. This also applies to the electoral campaign. The government is not running in the elections, the government is at work, the prime minister stressed:

[Begin Oleksy recording] It would be a good thing if, in the social perception, the government, which does not have any association with the presidential election, were able to calmly continue its activity and have the possibility of from time to time informing about these activities, which are necessary for society. [end recording]

[Perzyna] Television heads stressed that to convey information it is necessary to have access to it. Thus, the Office of the Council of Ministers [URM] ought not to be a fortress to journalists:

[Begin Wieslaw Walendziak, chairman of Polish Television, recording] We are sometimes a little powerless because we enter into a thicket of issues that are often not closed issues but are in the course of implementation, in the course of discussion. We wish to convey information as well as possible, as widely as possible, and also as eloquently as possible; if there are controversies in the government, for instance, we also wish to inform about this. [end recording]

[Perzyna] The prime minister announced the carrying out of a reform of the government information services, which will facilitate for journalists the procurement of information. He criticized the "Government Diary" [Diariusz Rzadowy] television program, which in his view does not relate the work of the government in an unbiased fashion.

The prime minister feels that the "Wiadomosci" program, in reporting upon the situation of the Kielce flood victims, stressed the accusations directed against the government. Adam Pietrzynski, head of the "Wiadomosci" program, replied that, in its reports, the "Wiadomosci" program passed on the feelings of the victims of the disaster.

The prime minister announced that he will find a way of financially supporting the "TV Polonia Network" satellite, which is intended for Poles abroad and which constitutes a part of Polish foreign policy but has costs that, at the moment, place a burden upon the entire Polish Television budget.

Majority: Church Should Stay Away From Politics

WS2109140995 Warsaw GAZETA WYBORCZA in Polish 21 Sep 95 p 3

[Report by KNYSZ: "CBOS; Pulpit Away from Ballot Boxes"]

[FBIS Translated Text] *Two-thirds of Poles are convinced that the episcopate has already chosen its favorite among presidential candidates; this favorite is Lech Walesa. At the same time, however, more than 70 percent say that the episcopate should not endorse any candidate.*

Bishops have not yet said who their candidate is. They only said who should not be elected president. Statements found in the letter revealed by the bishops two weeks ago ("people who in the period of a totalitarian state wielded power at the highest party-government level") left no room for doubts: The bishops were referring to Democratic Left Alliance leader Aleksander Kwasniewski. Most of the respondents—84 percent—interpret this as the clergy's attempt to influence the results of the election.

Three-fourths of the respondents believe that the church should not engage in politics. Just as many—73 percent—say that the bishops should not endorse any candidate. An opposite opinion—that the church should present its opinion on these issues—is expressed by one in five respondents.

Supporters of an active role of the church in politics are the most numerous among strong believers and among people who do not know much about what is going on in politics: women, inhabitants of rural areas, and people with elementary education. Opponents of the church exerting influence on decisions made by voters are primarily well-educated people, inhabitants of large towns and cities, and persons who admit that they have leftist views.

Even though the bishops officially say they will not point out any candidate, as many as half of the respondents believe that the church already has its favorite. The Public Opinion Research Center [CBOS] asked its respondents who this person is. According to two-thirds of the respondents, it is Lech Walesa. Every fifth respondent pointed to Hanna Gronkiewicz-Waltz. Here is how CBOS comments on this: "No matter what the church authorities do about the issue of the presidential election, a considerable portion of the society may believe that it is absolutely certain that—officially or unofficially—they favor reelection of the incumbent president."

However, does the opinion of the episcopate really matter to voters? According to 45 percent of the respondents, this opinion will only slightly influence decisions made by voters. Every third respondent estimates that this influence will be quite considerable, and 8 percent say it will be none. Opinions expressed by the bishops are valued the most by supporters of Walesa and of the president of the National Bank of Poland, and the least—by Kwasniewski's supporters.

CBOS conducted this poll between 1 and 4 September on a representative random sample of 1,150 adult Poles.

Official Meets Sejm Deputies, Views Privatization

WS2009135995 Warsaw RZECZPOSPOLITA in Polish 20 Sep 95 p 12

[Article by E.B.: "Results of First Half-Year of Privatization Worse Than Expected; Tobacco Will Save the Budget"]

[FBIS Translated Text] Minister Leslaw Juchniewicz did not try to conceal his satisfaction with the results achieved in the first half of this year. "I dare say," he told Sejm deputies of the Ownership Transformations Commission, "that we are simply better at privatization." Juchniewicz refuted allegations from the opposition, which argued that the present coalition is following the way that had already been cleared by [Ownership] Minister Lewandowski.

In the first half of the year, the Ownership Ministry obtained from capital privatization 11.7 percent of the revenues envisioned in the 1995 budget. In all, the ministry obtained only 30 percent of privatization revenues envisioned in the budget. Minister Juchniewicz announced that, by the end of the year, revenues from privatization would reach 1.6 to 1.65 billion zlotys [Z] and not Z1.5 billion, as was envisioned in the budget. The ministry expects bigger revenues in the last quarter of the year. As a matter of fact, to implement the plan envisioned in the budget, all the minister needs is the privatization of the tobacco sector, which is to yield between Z800 million and Z1 billion.

In the first half of the year, 13 sales were completed: Energopomiar in Gliwice (75 percent of the shares were taken over by a group of Polish investors), Osiecznica (75 percent taken over by Quarzwerke GmbH Frechen, Germany), Jelcz (51 percent taken over by Sobieslaw Zasada Centrum), Energomontaz Polnoc (75 percent owned by the consortium of Elektrim and Rafako), Energomontaz Poludnie (74 percent owned by Rafako), Gorazdze (26.1 percent—a public offering), Pollena Uroda (75 percent taken over by Cussons Group, Great Britain), Silesian Confectionery Industry Plant Hanka (75 percent owned by the Agricultural-and-Food Investment Society), Kielce Paper Product Factory (75 percent taken over by David S. Smith Group, Great Britain), KCW Kujawy (75 percent taken over by Lafarge, France), Winiary (45 percent owned by Nestle, Switzerland, and 10 percent by Bank Handlowy), Bearing Factory in Poznan (80 percent owned by Aktiebolaget SKF, Sweden), and Stomil (42 percent—a public offering). The ministry has been working for some time now on the privatization of 70 companies, four of which are ready to be sold as a public offering.

Between the beginning of the year and 31 August, the Privatization Ministry received 118 motions regarding direct privatization (since the program began, it had received 1,395 such motions), 90 projects were approved, and 11 were rejected. In that period, 63 companies (992 companies in all) were crossed off the register of state-owned companies. In the period in question, founding organs submitted to the ministry 99 motions requesting liquidation (1,440 motions since the program began); 85 of them were approved and 12 were questioned. The program of the National Investment Funds, which has already begun, includes three groups of companies.

The deputies did not question the directions of privatization implemented by the present government. They did, however, submit some comments regarding the implementation of policies that were adopted earlier. The deputies were the most critical of legislative delays, such as the law on compensation investment funds, the law on closed and pension funds, reprivatization, and the law on municipal enterprise. They decried the fact that the law on commercialization and privatization of state-owned companies had been suspended.

Both Leslaw Juchniewicz and Deputy Minister Andrzej Zebrowski, who supported him at the meeting, stressed that the national assets constitute the biggest natural resource of Poland; however, this resource is limited.

Government Plan for Oil-Industry Privatization

95EP0181A Warsaw PRZEGLAD RZADOWY in Polish 1 Jun 95 No 6, pp 104-109

[Presentation of the program accepted by the Council of Ministers in May 1995: "Restructuring and Privatization of Crude Oil Sector"]

[FBIS Translated Text] The question of what should be done about the Polish fuel industry has now been considered by several ministerial cabinets in a row. The current government, accepting the premises of a program drafted by an interministerial task force, has placed Minister of Industry and Trade Klemens Scierski in charge of creating the Polish Petroleum Corporation.

Owing to the broad applicability of its products to all forms of economic activity, the oil sector affects the functioning of the entire country. Liquid fuels (gasoline and diesel fuel) are indispensable to transport operations, and for this reason they are an inseparable element of the cost structure of all kinds of products and services. Motor fuels are highly profitable products, and the excise tax levied on them is a major source of budgetary receipts. This places the oil industry among sectors of strategic importance to national security.

At present the domestic refinery industry is meeting only part of the demand for oil derivatives. Some 20 percent of liquid fuels are derived from imports. Both the production and the distribution parts of the oil sector require considerable financial outlays. A majority of the attendant facilities were built in the years 1960-70 and need to be modernized. Storage capacity for the needed fuel reserves is insufficient, and the planned highway construction program requires establishing new retail sales sites. Corporate investment capabilities are limited. The needed investment is estimated at more than $2.5 billion.

The enterprises that make up the oil sector are currently operating profitably, and duties and customs quota protect them from foreign competition. However, the period of protection cannot be protracted indefinitely, and the possibilities for applying protective instruments are warranted only during the restructuring period.

In Europe there is a surplus of oil-processing facilities. Poland as an importer of crude petroleum will always be in a worse position than the transnational concerns with their own oil fields and huge capital reserves.

The markets of Central Europe are attractive to fuel producers, because their demand for fuel keeps rising. In Poland's case, its location along the trade route to Russia is an additional factor that enhances the prospects for fuel sales. At the same time, investment in the Polish oil industry is becoming less attractive as time passes, because consortiums of big oil companies are investing in the neighboring countries (East German, Czech refineries).

To safeguard this country's energy and financial security, it is important that liquid fuels be produced in refineries operating on Polish territory.

Purposes and Objectives of the Program

The principal purpose of the program is:

—The assurance of the economic and organizational competitiveness of enterprises operating in Poland following the expiration of protective instruments, which will require an injection of funds for the modernization and development of the oil sector, along with the attraction of suitable strategic partners.

The objectives to be attained in order to accomplish the above purpose are:

—The introduction of a price-and-tax system that would serve to generate appropriate financial surpluses (profits) for investment in the sector; it has to be a stable and clear system and one that is understandable to potential domestic and foreign investors.

—The creation of conditions for implementing the program by protecting domestic producers during the restructuring period and by assuring market access by preparing an integrated organizational structure of the sector's companies, such as can promote that program.

—The creation of stable legal conditions by transforming the sector's companies into commercial-law partnerships and enabling investors to buy shares in them.

A prerequisite for implementing this program is to maintain government control over strategic corporate decisions that will affect national energy and ecological security, and over the protection of consumers.

This objective will be accomplished by means of:

- A system of reserves.
- A quality-control system for products.
- A system for monitoring technological safety.
  A system for monitoring transportation and storage facilities.

State and Investment Needs of the Domestic Oil Sector

Current State:

The processing of crude petroleum in Poland is handled by the following seven [as published] refineries:

- Petrochemia Plock, Mazowsze Refinery and Petrochemical Works, SA, opened in 1964.
- Gdansk Refinery, SA, opened in 1975.
- Two one-person Treasury companies.

and five southern state-owned refineries:

- Silesian Refinery Works in Czechowice.
- Trzebinia Refinery.
- Sub-Carpathian Refinery Works in Jaslo.
- Jedlicze Oil Refinery.
- Glimar Petroleum Refinery in Gorlice.

The southern refineries, most of which were established in the 19th century, underwent basic modernization in the 1960's and 1970's. The following handle wholesale trade in and distribution of fuels and crude petroleum:

—CPN (Petroleum Products Agency), State Public Utility Company, operating since 1944 and consisting of: Cistern Tank Maintenance Directorate, Construction and Installation Directorate, 17 district directorates of storage base (capacity ca. 2 million m^3) and retail stations (about 1,370).

—CIECH Chemicals Import-Export Center, Inc., Petrolimpex Branch Office.

—Independent fuel distributors owning about 2,500 retail stations and operating storage capacities for about 150,000-200,000 m^3.

The following handle the transportation of crude petroleum and oil derivatives:

—PERN Oil Pipeline Maintenance Enterprise in Plock, a state enterprise established in 1963.

—"Port Polnocny," Inc. (employee-owned).

—Naftoport, Inc., in which 59 (out of a total of 78) shares, or about 75.6 percent, are owned by the Gdansk Refinery, the Plock Petrochemia, the PERN, and the CPN, founded in 1992.

In the extraction of crude petroleum:

—oil fields, associated in Polish Oil and Gas Extraction, a state enterprise.

—Petrobaltic, a state enterprise.

The domestic extraction of crude petroleum amounts at present to about 150,000-300,000 metric tons annually, i.e., it meets about 1 to 2 percent of the yearly demand.

Prospects for extraction by Petrobaltic are estimated at about 500,000-600,000 metric tons a year.

The program considered here does not apply to the extraction of crude petroleum.

Economic Situation

The economic situation of the state-owned companies in the oil sector (state enterprises and one-person Treasury companies) is currently good. Refinery profits range from 5.8 to 2.0 percent.

But this picture is not fully objective. Polish companies operate in the presence of import restrictions and of price controls on final products, and a complicated system for excise-tax relief and exemptions granted by the Ministry of Finance. International oil concerns are potential competitors for domestic refineries.

Investment Program

The processing capacities of Polish refineries cannot at present be fully utilized. The lack of an adequate number of modern facilities for increasing fuel yield and improving fuel-quality results in crude petroleum processing of about 13 million metric tons annually. Aggregate processing capacity is about 16.6 million metric tons annually. The largest refinery in Poland is Petrochemia Plock, SA, with its processing capacity of 12.6 million metric tons (about 76 percent), followed by Gdansk Refinery, SA, with a processing capacity of 2.7 million metric tons (about 16 percent). The maximum processing capacities of the southern refineries total about 1.3 million metric tons annually. The complete utilization of this capacity hinges on modernizing the facilities, inclusive of a reduction in their energy intensiveness and improvements in the attendant ecological conditions. Plans exist for increasing processing capacity by the year 2000 as a result of the expansion of the Gdansk Refinery.

The transmission and distribution system requires outlays to expand the pipeline system and storage facilities, which at present are insufficient for storing fuel reserves, and to build gasoline stations along new transportation routes (superhighways under construction).

In all of the sector's companies, outlays are needed for objectives relating to adaptation to environmental protection requirements.

The investment programs of the refineries, the PERN, and the CPN total about 7.5 billion zlotys (i.e., 75 trillion old zlotys) to be spent in the years 1994-2000.

Most investment outlays will be made in 1995-98. For that period, the principal refinery investment projects are to be implemented: a hydrocracking facility at Petrochemia Plock, along with an expansion of crude oil processing capacity by 3 million metric tons annually, and a reforming facility at the Gdansk Refinery. The cost of these investments will be about $1.5 billion. After the integration of the sector's companies, envisaged in the program, is completed, the existing individual investment programs of discrete enterprises should be checked out.

Premises of the Economic-Financial System

Funds for Sector Development

The following possibilities for obtaining funds for the development of the sector were considered. These funding sources may be:

1. Available capital of the sector's companies and owners

The available capital of the sector's companies consists in profits and depreciation credits. Profits earned by price increases are limited. The limits on profits are determined by: duties (if the price of the domestic product exceeds the world price plus the duty, the product becomes uncompetitive), demand (which falls as prices rise), and the need to correlate the price level with the growth rate of personal incomes. The funding that can be made available by owners has to be in the form of either contributions of added capital or suspension of collection of the asset tax by the state. The current owner of a substantial segment of the sector, the State Treasury, is not inclined to invest in the form of added contributions of capital, and at best only a suspension of the asset tax is possible.

2. Bank loans

The scale of the needed funds exceeds the possibilities of Polish sources. Neither domestic nor foreign banks will grant the needed loans to the sector's companies without loan guarantees from the State Treasury. Given the scale of the needs of the oil sector, such guarantees would adversely affect the other sectors of the economy by markedly restricting or totally precluding their access to that funding source. Thus, only partial funding of the development programs of the oil sector companies with domestic and foreign bank loans is possible.

3. Financial aid from the government

It can be given in the form of tax rebates or direct subsidies. The taxes on oil derivatives in Poland are among the lowest in Europe, and reducing them further (stopping their growth) would hurt public finance. The current needs of the budget are such that revenues from this important source cannot be cut in part. Likewise, it is impossible to grant subsidies to the oil sector in a situation in which it provides relatively—in terms of capital invested—small employment while the other sectors of the economy are much worse off.

In view of the above, funds for developing the sector should be obtained chiefly from the profits of the sector's companies, from privatization (sales of some shares of these companies), from contributions of added capital and obligations of strategic investors, and from domestic and foreign loans.

The Liquid Fuels System

It is proposed that the traditional method of price fixing be abandoned and the principle of guiding the price level solely by means of excise tax rates be introduced, without intervening in the level of individual retail prices, trade margins, and refinery and distributor profits.

In view, however, of the adverse consequences that may accompany this solution, especially to agriculture, reaching this goal is envisaged upon maintaining the following sequence of events:

- Reorganization of the sector, including the formation and activation of Polish Oil Company, SA.
- Liberalization of the rules for the formation of fuel prices.

It is assumed that the appropriate deadlines for introducing the freedom of price formation would be 1 September 1995 for ethyl gasoline and 1 January 1996 for diesel fuel.

The liberalization of fuel prices entails the risk that they will increase excessively.

An excessive increase in the retail prices of liquid fuels is thought to be, in particular, a price increase that would exceed the inflation index assumed in the budget law for a given year, unless that increase ensues from an increase in the prices of crude petroleum on the world markets, an increase in the currency exchange rate, or an increase in the excise tax.

Polish legislation allows for the possibility of price controls and government intervention in the event of an improper price formation, vesting appropriate powers in the minister of finance and the chairman of the Antimonopoly Office. Utilization of these powers is envisaged in the event of attempts to exploit the new guidelines for price formation with the object of raising prices excessively.

It is proposed that excise tax rates be gradually raised to the minimum level employed in the countries of the European Union, in measure with the increase in real personal incomes, and so that the quantity of fuel available for purchase in terms of the average wage would gradually increase.

In view of the need to accumulate suitable funds for restructuring the oil sector, this operation has to be implemented so as to enable the sector's companies in general to derive appropriate profits. In this connection, the Ministry of Finance should conduct simulation calculations serving to determine the proper excise tax rates.

Protecting the Domestic Refinery Industry

The oil industry of Western Europe, with its modern technologies and up-to-date organizational structure, operates with unutilized production capacity. Were it not for the existing Polish customs and quota restrictions on imports, it would be capable of supplying the Polish market with substantial quantities of products of oil origin, thus not just depriving the Polish oil sector of a chance to restructure but also threatening its existence.

To enable the companies of the liquid fuels sector to restructure and adapt themselves to the conditions of international competition, and to prevent an increase in unemployment and the attendant increase in the burden on the budget, as well as to avert social tensions, a degressive protection of the liquid fuels industry against foreign competition is envisaged within a specific time frame.

As regards protecting the domestic industry during the restructuring period, instruments of customs protection and other kinds of import controls are envisaged.

With respect to customs policy, Poland is bound by the provisions of agreements with the EU, the EFTA [European Free Trade Association], and the CEFTA [Central European Free Trade Association], as well as of understandings with GATT (WTO [World Trade Organization]).

Given the existing treaty obligations, a departure from the timetable for duty reductions is feasible with regard to the EU, the EFTA, and the CEFTA, chiefly on the basis of the restructuring clause. The utilization of this clause is conditioned upon the drafting and launching of an appropriate program. Increases in customs duties require prior consultation with partners to the free trade agreements signed with Poland.

In 1994 the industry was protected by duties (15 percent on gasoline and 35 percent on diesel fuel) along with a 6 percent import tax. As of 1 January 1995 these duties were cut for gasoline to 12 percent (EU and EFTA) and 10 percent (CEFTA), and for diesel fuel to 28 percent (EU and EFTA) and 23.3 percent (CEFTA), while the import tax was reduced to 5 percent.

In practice it is not feasible to adhere to the obligations to abolish fuel duties, because improvements in refinery efficiency require concentrating investment outlays in the years 1995-98, and it would be improper to expose refinery products during that period to increased foreign competition.

It is necessary, on utilizing Article 28 of the European Treaty establishing an association between Poland and the European Communities and their member countries, to take appropriate measures to prolong the period of customs protection of the domestic refinery industry, in accordance with the timetable below:

	Gasolines	Diesel Fuel
	Percent	
1996	15	25
1997	15	25
1998	10	17
1999	5	9
2000	0	0

At present a licensing and quota system is applied in order to restrict imports of gasoline and diesel fuel.

Under the agreement with the EU, the quotas are to be abolished as of 1 January 1997. Extending that deadline for an additional two years, that is, to 1 January 1999, is thought necessary, because customs protection alone may prove an inadequate instrument for protecting the interests of Polish refineries. Irrespective of the above, the possibilities harbored in the Customs Law and international agreements for introducing import restrictions can be utilized. To avoid reducing the dutiable value of imported fuels, minimum quota duty rates have to be introduced. Proceedings concerning the introduction of import restrictions should be initiated on the request of the interested companies and supported by the findings of the monitoring of the market of fuels of oil origin conducted by the minister of industry and trade.

State Control Over Strategic Elements of the Sector

Strategic decisions in which the government should have influence concern:

- Assurance of revenues for the state budget.
- Security of the functioning of the system for the transmission and distribution of liquid fuels.
- Protection of productive capacities of the sector.
- Protection of the consumer, inclusive of fuel price and quality control.
- Protection of the natural environment.
- Security of shipments of the raw material and products.

Most of these objectives can be accomplished with the aid of legal instruments, but some, at least at the present stage, require preserving [the state's] ownership rights.

As part of state control over strategic elements of the sector, the following measures are envisaged:

—Exercise of rights to Treasury-held shares by a single entity with the object of assuring a uniform proprietorial policy and pursuing it as part of the government's economic policy. To this end Polish Oil Company (PKN, SA) will be established, a one-person Treasury company exercising ownership rights on behalf of the Treasury, one of these rights being the oversight of the implementation of industrial policy through: implementation of a general strategy for the development of the sector; implementation of the financial-capital strategy of the oil sector; implementation of strategy in international contacts; and monitoring of the market for oil products.

—Total state control over the Enterprise for the Operation of Oil Pipelines (PERN), which maintains a network of pipelines for the transmission of crude petroleum and oil derivatives, as well as over strategic elements of the sector, such as the storage bases currently owned by the CPN and the Directorate for Cistern Tank Maintenance.

—Control over transloading operations at border points for the transmission of crude petroleum by sea, through ownership by sector companies of shares in Naftoport, Inc.

—Assuring similar rights for the Treasury in other oil sector companies, so that any decisions affecting the national interest would require the Treasury's prior approval.

—Introduction of new guidelines for the collection and funding of reserves of liquid fuels, on the same principles as those that are binding in the countries of the European Union, i.e., the introduction of a system of mandatory reserves kept by the sector's companies.

—Introduction of the duty to report liquid fuels and other products of oil origin for certification with the safety logo of the Polish Center for Testing and Certification and to mark them accordingly.

—A comprehensive review, to be conducted in 1995, of the administrative decisions affecting the use of fuel stations and fuel (wholesale) bases and of the permits issued by local government agencies for the use of vehicles for transporting liquid fuels. The effect of facilities on the natural environment also will be reviewed. The review criteria will be developed on the basis of the regulations in force.

Reorganization

A properly designed, vertically integrated structure of the oil sector is a prerequisite for its proper restructuring, commercialization, and privatization, as well as for an effective state control over its strategic elements. It also is a precondition for the proper development of private companies on the Polish oil derivatives market, and especially on the liquid fuels market.

With the object of creating an appropriate organizational structure from the standpoint of the goal of this program:

—Polish Oil Company (PKN) will be established. It will be a one-person Treasury company as the state operator exercising the rights to Treasury shares. The assets of PKN, SA will consist of shares in the sector companies named below. PKN, SA should exercise the role of the coordinator of investments by domestic capital in the oil sector.

—The Oil Pipeline Maintenance Enterprise (PERN), which operates networks of pipelines carrying crude petroleum and oil derivatives along with oil tanks at its bases, will be transformed into a one-person joint-stock company and will not be subject to privatization.

—The following will be isolated from CPN's structure: Strategic storage bases, including those having a capacity of more than 50,000 m^2, that is, at pipeline terminals; main border transloading bases; and rail transportation. The above structure will be used to establish Naftobazy, SA, a joint-stock company.

—The storage bases isolated from CPN will be made available to all domestic companies of the sector, especially those processing crude petroleum in this country, after the needs in terms of the storage of strategic and defense reserves have been met.

—The Cistern Tank Maintenance Directorate (DEC), isolated from CPN, will be transformed into a one-person joint-stock company and, until such time as it loses its monopoly standing, it will not be subject to privatization.

—Following the isolation of Naftobazy, SA and DEC, SA, the shares of CPN, SA will be made available in the amount of 60 percent to refineries, in proportions corresponding to the volume of oil refining at Petrochemia Plock, SA, Gdansk Refinery, SA, and Southern Refineries, SA.

—PKN will make possible the linkage of private gasoline stations by long-term civil law agreements with the refineries.

—The refineries will constitute three manufacturing and trading centers treated as profit-making centers:

- Gdansk Refinery, SA.
- Petrochemia Plock, SA.
- Southern Refinery, SA, comprising the currently existing Silesian Refinery Works in Czechowice, Trzebinia Oil Refinery, Sub-Carpathian Refinery Works in Jaslo, Jedlicze Oil Refinery, and Glimar Oil Refinery in Gorlice.

The new refinery in the south (processing capacity 6 million metric tons a year) could find its place in the sector structure once a strategic investor appears, and it would be accorded equal treatment with other entities in the sector.

During the implementation of the program the possibility of capital ties between Polish Oil Company (PKN), SA and the CIECH Chemicals Import-Export Agency, Inc. is envisaged.

With the object of assuring the proper implementation of organizational and ownership transformations, it is expedient to create as soon as possible the organizational structures of Polish Oil Company. To this end, a government commissioner should be appointed, and his first task should be to draft statutory operating principles for Polish Oil Company and other entities covered by the program considered here.

The reorganization will extend to the following entities:

- PPUP CPN (State Public Utility Company Petroleum Products Agency).
- PERN Oil Pipeline Maintenance Enterprise.
- Petrochemia Plock, SA.
- Gdansk Refinery, SA.
- The southern refineries: Czechowice, Trzebinia, Jaslo, Jedlicze, Glimar.

The procedure for restructuring CPN is as follows:

Version 1, adopted by the Economic Committee of the Ministerial Council on 6 July 1994:

—Isolation of the Cistern Tank Maintenance Directorate (DEC) from PPUP CPN and its transformation into a one-person Treasury company, DEC, SA, providing services relating to the rail transportation of oil products.

—Isolation of storage bases from PPUP CPN and their transformation into a one-person joint-stock company named Naftobazy, SA, and providing services relating to the storage of and trade in liquid fuels and other oil products.

—Transformation of the remaining part of PPUP CPN into CPN, SA, a company engaging in retail trade and sales of liquid fuels and other oil products at fuel stations.

The above procedure for the reorganization of PPUP CPN has been accepted by the Economic Committee of the Ministerial Council, in the "Premises for the Restructuring and Privatization of the Oil Sector," as meeting the objectives of the reorganization of the oil sector. However, the Employee Council of PPUP CPN and the trade unions operating within the Oil Products Center have objected to it. Since a positive opinion of these organizations is a prerequisite for carrying out the above reorganization, and since no such opinion can be forthcoming, the following alternative version has been proposed:

Version 2:

—Isolation of the Cistern Tank Maintenance Directorate (DEC) from PPUP CPN, and its transformation into a one-person Treasury company, DEC, SA, providing services relating to the rail transportation of oil products.

—Establishment of a separate Naftobazy Directorate within PPUP CPN.

—Transformation of PPUP CPN into a one-person Treasury company, CPN, SA, and inclusion in its charter of an obligation to isolate from its structure the Naftobazy Directorate within a specified time limit through the maturation of shares.

—Isolation of Naftobazy Directorate from CPN, SA, through maturation of shares and the establishment of a one-person Treasury company, Naftobazy, SA, providing services relating to the storage of and trading in liquid fuels and other oil products.

Once the reorganizational stage is completed, the structure of the sector will comprise the following one-person joint-stock companies:

- Polish Oil Company, SA (PKN, SA), a one-person Treasury company formed from assets, refineries, PERN, and the companies formed from the breakup of PPUP CPN.
- CPN, SA.
- Oil Pipeline Maintenance Enterprise (PERN), SA.
- Naftobazy, SA.
- Cistern Tank Maintenance Directorate (DEC), SA.
- Petrochemia Plock, SA.
- Gdansk Refinery, SA.
- Southern Refineries, SA.

Privatization

The principal purpose of privatization is to assure the steady growth of the Polish oil sector in a free-market economy. In view of the economic transformations proceeding under the treaty of association with the European Union, the elimination of customs barriers, the growing competition, the rising quality requirements, and tighter rules for environmental protection, the enterprises urgently need considerable funds estimated at about $2.5 billion. The purpose of privatization should be to obtain development funds and attract investors who could assure the economic and organizational functioning of the sector in the presence of open competition with foreign oil concerns. The revenues from share sales should remain at the disposal of PKN and be earmarked for restructuring the sector.

The premises adopted for the privatization are as follows:

—The Treasury should own a block of shares sufficient to assure a significant share in net profits and the requirement that other main shareholders coordinate with it fundamental decisions (debt, investment, profit-sharing, stoppage of production, amendments to the charter, higher capitalization, new share issues, etc.).

—The privatization of the sector should be accomplished by privatizing the refineries, and it should be done soon, because the attractiveness of the refineries will decline as the deadline for abolishing customs barriers and quotas comes closer. Privatization should primarily be accomplished by means of share issues and increased capital contributions.

—To assure the financing of investments, strategic investors should at first acquire minority shares (about 20-30 percent) with the option to acquire more shares after financing a specified amount of investment in the refineries. Any reduction of the stake of Polish Oil Company, SA in the sector's companies below 50 percent will require the consent of the Ministerial Council.

— Strategic investors should be selected from among bidders having a stable economic position, assuring on-schedule and effective financing of investments. In the event that comparable bids meet the above criterion, preference will be given to Polish capital.

—The streamlined capital structure of the refineries and the Petroleum Products Center should provide for, in accordance with the generally binding guidelines, participation by employees of the privatized companies of the sector.

—On the decision of the Ministerial Council, pursuant to the Law on the Privatization of State Enterprises, the employees of the companies whose privatization is not scheduled may obtain shares in the privatized companies of the sector.

—All the stages of the privatization of oil sector companies should be carried out under the supervision of the Minister of Privatization.

Under the above premises, the ownership structure of the sector would be, aside from the shares made available to employees, changing in time owing to the changes in the percentage of shares owned by strategic investors.

After strategic investors enter into play and before they execute the specified extent of investments, Polish Oil Company will operate with the following assets:

- 100 percent of shares in PERN, SA.
- 100 percent of shares in DEC, SA.
- 100 percent of shares in Naftobazy, SA.
- 34 percent of shares in CPN, SA.
- 70-80 percent of shares in Gdansk Refinery, SA.
- 70-80 percent of shares in Petrochemia Plock, SA.
- 70-80 percent of shares in "Southern Refineries," SA.
- Strategic investors will own 20-30 percent of shares in the refineries.
- Refineries will own 66 percent of shares in CPN, SA.

Under the binding legislation, it is assumed that Polish Oil Company (PKN), SA will be exempt from privatization for the first two years of its existence. Its subsequent privatization will require a separate program.

Increased Quotas for Okhotsk Sea Fishing Sought

MM2109103895 Szczecin GLOS SZCZECINSKI in Polish 12 Sep 95 p 5

[Article by Andrzej Babinski: "Russians Economical With Alaskan Pollock"]

[FBIS Translated Text] Anyone reading through the past few months' reports on the activities of our deep-sea fishing fleet could easily come to the conclusion that the extent of our interest in that field is limited to the shores of the Sea of Okhotsk. This belief could be further reinforced by the establishment last summer of the Far East Investment and Commercial Company, which already groups together 10 fishing and fish-industry firms. The task placed before this new organization is to exploit the opportunities to deliver goods and investment-related services to far-eastern regions of the Russian Federation. In return, we could negotiate—though barter agreement—fishing quotas in that area of the exceptionally fish-abundant Sea of Okhotsk that lies within Russian jurisdiction. It is in those fishing grounds that the crews of nearly 30 Polish trawlers belonging to the Gryf, Odra, and Dalmor deep-sea fishing companies have been fishing since the beginning of last summer. The problem is that, following their enforced withdrawal from the open-sea areas of the Sea of Okhotsk, our fishing fleet was accorded a fish catch quota in the Russian fishing zone, which is limited to 75,000 tonnes—and our fishermen expect to reach that figure by the end of September.

Information released by Zbigniew Graczyk, deputy director of the Ministry of Transport and Maritime Economy Deep-Sea Fisheries Department, suggests that the end of September or the beginning of October will see another session of a Polish-Russian commission for cooperation on deep-sea fishing operations. The commission will discuss our application for an additional fishing quota. We are interested in catching another 60,000 tonnes of fish before the end of the year. If our fishing fleet is refused this additional quota, it will be forced to move back into the Sea of Okhotsk's open zone.

On a long-term basis, we would be satisfied with securing a fishing quota of about 300,000 tonnes a year. It is important that we are granted that quota for several years and that the agreement specifies a set price per tonne of fish caught by our fishing crews. This would enable our fishing companies to plan ahead and organize regular operations as well as modernize their aging fleet.

Unfortunately, it is far from easy to reach satisfactory decisions in these matters. As we know, Russian authorities in the Far East are interested in cooperating with us, and they have no objections to our combining our fishing activities with other types of operations, such as road building and sea- and air-transport investment projects, long-distance trucking schemes, and even such ventures as commercial-scale supply of goods from light industry and the clothing industry. Despite the Russian side's interest in such a wide range of potential cooperation activities, the actual fishing quotas are set centrally, in Moscow, by the Russian Fisheries Committee.

As was already said here, the extent of our fishing sector's interest in deep-sea fishing areas should not be restricted to the sea zone between Kamchatka, Sakhalin, and the Kuril Islands. It would be fine if we could just fish peacefully for Alaskan pollock out there, but it is also in our interest to expand our fishing operations in other seas and oceans. Such opportunities do exist. The Gryf and Dalmor deep-sea fishing companies have already proved this, and their trawlers now fish successfully in sea areas near New Zealand. Each company keeps one fishing vessel there and works in cooperation with local fish-processing firms. There is a good chance that Gryf will obtain a permanent cooperation contract in Vietnam, which has a large cutter fleet but lacks the experience and the capabilities to engage in industrial-scale fish-processing operations.

In addition, it would be an oversight not to look at the potential fishing opportunities in Mauritanian and Moroccan sea areas. Of the two, Mauritania offers particularly advantageous terms in that it is prepared to grant us a fishing quota in exchange for 20 percent of each haul. We could fish in Mauritanian waters for mackerel, horse mackerel, anchovy, pilchard, and tuna. The size of the quota in question is actually in excess of our requirements and stands at 1 million tonnes a year.

Iliescu, Montenegro's Bulatovic Begin Talks

AU2209120895 Bucharest Radio Romania Network in Romanian 1000 GMT 22 Sep 95

[FBIS Translated Text] Official talks started today at Cotroceni Palace between President Ion Iliescu and President Momir Bulatovic of Montenegro. Welcoming the president of the Republic of Montenegro, the Romanian head of state recalled the good and longstanding relations between our countries, which have not been troubled by conflicts during a long history. Unfortunately, both countries have had to suffer as a result of the embargo against former Yugoslavia. Right now, Bucharest wants to develop relations with all the republics of the former Yugoslav space and hopes that a solution will be found to the crisis, whose tensions and developments it has followed with attention and concern—but also with hope, particularly at this point—throughout the period after 1990.

Romania can play an important role in normalizing the overall situation in the Balkans, Mr. Bulatovic said today on his arrival in Bucharest. He added that the talks with President Ion Iliescu will primarily deal with the Bosnian crisis and the continuation of the bilateral cooperation in the postembargo period.

Our correspondents report that, aside from the two rounds of talks with President Ion Iliescu, the program of the visit includes a joint news conference, before the departure of the high ranking Montenegro guest.

Extremist Parties Presence in Government Condemned

AU2109131595 Bucharest ROMANIA LIBERA in Romanian 12 Sep 95 p 3

[Article by Dan Preisz: "Romania Is the Only Country in Europe Where Extremists Participate in Government"]

[FBIS Translated Text] The first issue of the political magazine INTERNATIONAL STUDIES, released recently by the [Bucharest] International Studies Center, has been published with financial assistance from the Dutch foundation CEBEMO [expansion unknown]. One of the most interesting articles in this issue is "Nationalism and Stability of the Rule-of-Law State in Romania" by Renate Weber and Gabriel Andreescu. Proceeding from the assessment by Valentin Stan in the study "Nationalism and European Security: Romania's Euro-Atlantic Integration," the authors stress that Romania is known in the international arena through a sad record: We are the only country in europe where extremists participate in government. Continuing Valetin Stan's idea that, as long as the PDSR [Social Democracy Party of Romania] includes the PUNR [Romanian National Unity Party] as an ally in government, Romania has no chance of being accepted in the euro-atlantic structures (considered officially an absolute priority of Romanian foreign policy), the authors conclude that "the PDSR's strategy of political alliances will have a long-term impact on Romania." According to Renate Weber and Gabriel Andreescu, nationalist-extremist lanuguage was used as a publicity tool in the political campaign in Romania as early as 1990 and the establishment and ascension of certain parties is closely associated with this. Even the establishment of the Greater Romania Party [PRM] was based on large-scale utilization of racist, chauvinistic, xenophobic, and anti-European propaganda. On the other hand, the Socialist Party of Labor [PSM], another member of the "red four-party alliance," was founded largely on the basis of language that disavows European values in general and institutionalized Europe in particular. In support of their arguments the authors cite from the political rhetorics of the past few years, from official documents, and from assessments made by important political analysts in Europe and America. Reviewing the access PUNR candidates have to various portfolios (Adrian Turicu—Ministry of Communications; Valeriu Tabara—Ministry of Agriculture; Iosif Chiuzbaian—Ministry of Justice) and the access of PRM and PSM members have to underministerial positions (a process that culminated in the recent appointment of PRM member Mitzura Arghezi to the Department for the Problems of Romanians Everywhere in the Ministry of Culture), the authors suggest that there is no basic difference between the PUNR's nationalist language and the language of the forces in the PRM and the PSM. In practical terms, the PDSR substitutes its political "impotence," lack of substance in the area of reform, and lack of popularity among the electorate with a protocol of cooperation with the extremists, who, instead of bringing us closer to the civilized Western world, pull us away from it with every passing day. Analysts like Stephan Van Evera admit in the case of C.V. Tudor-type [PRM president] leaders the correctness of the theory on inverse proportionality between political legitimacy and the temptation of the elite to produce an aggressive national mythology. For such leaders, discredited by their role under the regime overthrown by the revolution, nationalist-extremist propaganda is a matter of political survival. In practical terms, from a doctrinal viewpoint, the PRM belongs to the group of extreme nationalist parties, the type defined by John Mearsheimer.

A separate chapter of the article deals with the major state institutions such as the Supreme Council for the Country's Defense [CSAT] or the Romanian Intelligence Service, which "through the nationalist tendencies shown in their activity, demonstrate that they are permanently under pressure from political factors with a nationalist-extremist orientation." In the case of the CSAT, for example, "the critical assessment of the domestic situation made by somebody in Romania, but which is also distributed abroad"...is considered by the authors to be an element of risk to our national security. Nevertheless, precisely nationalism, extreme nationalism, or hypernationalism are missing from the chapter on internal risk factors for national security. The authors believe that one extremely serious aspect of the Romanian Intelligence Service's work is the fact that it does not have the competence to qualify opinions that contradict the government's—whether on national minorities or any other issue of public interest—as a threat to national security.

The conclusion is that "Romania cannot promote the principles of a rule-of-law state and cannot assume the euro-atlantic integration requirements just by making PDSR give up its association with the PUNR." "In this respect, the PDSR must suspend its political alliances with all extreme nationalistic parties and, at the same time, eliminate nationalist currents that appear within the party. There are many radical differences between the opposition parties and the PDSR. However, none of these differences can be compared with the responsibility they all have to give Romania a chance to participate in the European construction and, implicitly, the chance to ensure its domestic reconstruction in the spirit of European democratic values" the article in INTERNATIONAL STUDIES concludes.

Justice Minister on Procedure To Ban UDMR

AU2209074795 Bucharest ADEVARUL in Romanian 14 Sep 95 p 2

[Article by R.M.: "The Minister of Justice Explains How the UDMR Can Be Banned"]

[FBIS Translated Text] As a result of the fulminating memorandum of Gheorge Funar, PUNR [Romanian National Unity Party] president, on the issue of reconciliation with Hungary, our newspaper wished to find out the opinion of an expert, namely, the Minister of Justice Iosif Gavril Chiuzbaian, who is also a prominent PUNR member. When he was asked: "What kind of judicial support exists for President Funar's request to eliminate the UDMR [Democratic Union of Hungarians in Romania] from the political arena?" he gave us the following answer:

"I have no reason to modify now a statement that I made some time ago. In accordance with the provisions of the law and the Constitution, a political formation can be declared unconstitutional only by the Constitutional Court, as a result of notification forwarded to Parliament or the government. I am sure that when it becomes opportune, the two institutions of power will notify the Court about this issue. Mr. Funar is not the only political leader who has raised this issue; therefore, I do not consider it a special case. He can take actions through PUNR parliament members. As a matter of fact, the UDMR is not even registered as a political party. The fact that it was allowed to participate in elections is too old an issue to be discussed now."

Structure, Tasks of Privatization Agency

95BA0271A Bucharest MONITORUL OFICIAL in Romanian 19 Apr 95 pp 8-9

[Decision No. 217 of the Romanian Government on Organization and Operation of the National Privatization Agency]

[FBIS Translated Text] On the basis of the provisions of Article 115 of the Romanian Constitution and of other legal regulations, the Romanian Government has decided the following:

Article 1. The National Privatization Agency is a specialized organ of the central public administration under the government and, in conformity with the law, it carries out administration of programs in the area of privatization.

Article 2. The National Privatization Agency, under the conditions provided by law and by the government strategy on economic reform, has the following duties:

1. It coordinates, guides, and controls the entire privatization process;

2. It follows the operation of the mechanism of the privatization process in all sectors of the national economy and takes measures so that it runs well and so that the best conditions are created for the commercial companies that are to be privatized;

3. It presents proposals to the government for the strategy and mechanisms for developing the private sector;

4. It sets up lists with the commercial companies that are to be subject to the privatization process;

5. It participates as a mediator in the government's name to solve any differences between the Fund for State Property and the Funds for Private Property as far as privatization of the commercial companies is concerned;

6. It approves privatization of the commercial companies in cases where the Fund for State Property loses its role as controlling stockholder within the particular commercial companies;

7. It makes sure the legal and institutional framework is set up for creating mutual funds;

8. It makes sure that records of stockholders at the level of each commercial company are introduced in standard format and it keeps a record of their movements in conformity with the provisions of Law No. 31/1990 in the Unified Register of Stockholders;

9. It gives notice on proposals to award licenses and on organization of auctions to conclude licensing contracts for economic activities, public services, and the production units of certain independent administrations and lands that are state property;

10. It checks that licensees respect the duties assumed through the licensing contract;

11. It proposes for government approval the concluding of sublicensing contracts;

12. It works out and presents for government approval the methodological standards for conditions to organize and carry out the sales of stocks and assets and for changing ownership certificates in stocks for the commercial companies that are to be privatized;

13. Under legal conditions it resolves disputes formulated by holders of ownership certificates against the solutions provided by the Funds for Private Property by exercising the right to check and the initiative of those holding ownership certificates;

14. It approves contracts for specialized assistance being concluded with foreign consulting firms;

15. It follows up on how the program for technical assistance from abroad is being carried out and it ensures organization of forums for training personnel in the areas of evaluation of the commercial companies, organization of auctions, sales of stocks, brokerage, and other activities connected with the privatization process;

16. It carries out communications activities in Romania and abroad with a view to promoting the privatization process;

17. Taking international practice into account, it makes analyses and studies in the area of privatization of commercial companies with state capital;

18. It makes sure that institutions with tasks and duties in the area of privatization respect the provisions of Law No. 58/1991 as well as other acts in this area;

19. On a contract basis it provides services of technical and consulting assistance in carrying out the privatization process in economic, financial, commercial, and legal areas;

20. It publishes the periodical entited INFORMATION BULLETIN ON CARRYING OUT THE PRIVATIZATION PROCESS;

21. It carries out any other duties set by normative acts for its area of activity.

Article 3. (1) The National Privatization Agency is headed by a president whose salary is in line with that of a state secretary and who is appointed by decision of the prime minister. Operating as a consulting organ alongside the president of the National Privatization Agency is the Leadership College of the agency. The composition of the college is approved by order of the president with advisement of the government member who coordinates this activity. The agency's president also holds the job as president of the Leadership College.

(2) The president heads all activity of the National Privatization Agency and represents it in its relations with ministries, other public authorities and organizations, as well as legal and physical persons in Romania or abroad.

(3) In accordance with the law, the president issues orders and instructions in carrying out the duties of the National Privatization Agency.

Article 4. (1) The maximum number of positions is 130, excluding the top official.

(2) The organizational structure of the National Privatization Agency is provided in the Appendix to this decision. [Appendix omitted] Salaries for agency personnel are set in conformity with Appendix 8 to Republished Law 40/1991. Services and offices as well as temporary collectives may be organized within it by order of the agency president.

(3) Within the maximum number of jobs approved, the National Privatization Agency is to include specialized personnel for territorial coordination in the listing of jobs; they are to carry out their activities with the aid of commissioners.

(4) The specific duties of the general directorates, directorates, services and, offices within the organizational structure are set by the regulations on organization and operation and are approved by order of the president of the National Privatization Agency.

Article 5. (1) The National Privatization Agency may provide profitable activities on a contract basis, such as technical assistance and consulting services, brokerage, evaluations of commercial companies, feasibility studies, terms of duties, and so forth.

(2) In order to carry out these activities the National Privatization Agency has under it the Office for Providing Services and the Information Bulletin organized at

the level of the general directorate. It is a legal entity whose operating expenses and investments are covered from the profits obtained outside the budget under legal conditions. The number of jobs and its organizational structure are approved by order of the president of the National Privatization Agency.

(3) The salary levels for personnel of the Official for Providing Services and the Information Bulletin are as provided in Appendix 10 to Government Decision No. 281/1993.

Article 6. (1) In exercising its duties, the National Privatization Agency collaborates with ministries, with central specialized organs under the government, and with local public authorities.

(2) The prefect offices are to provide the space needed to carry out activities in the field by salaried workers of the National Privatization Agency and will pay the material expenses for maintenance and communications from its budget.

Article 7. The National Privatization Agency has a number of cars in its own system established in accordance with legal provision to carry personnel.

Article 8. The Ministry of Finances will introduce appropriate amendments into the 1995 budget of the National Privatization Agency.

Article 9. (1) The present decision goes into effect 30 days following its publication in MONITORUL OFICIAL AL ROMANIEI.

(2) On this same date, government Decision No. 4/1993 on Organization of the National Privatization Agency, published in MONITORUL OFICIAL AL ROMANIEI, Part I, No. 24, 10 February 1993, is repealed.

Prime Minister Nicolae Vacaroiu

Countersigned by Mircea Cosea, state minister and president of the Council for Coordination, Strategy and Economic Reform; Dan Mircea Popescu, state minister and minister of labor and social protection; and Florin Georgescu, state minister and minister of finance.

Bucharest, 10 April 1995No. 217

Commentary on Visit by U.S. Defense Secretary

AU2109164295 Ljubljana DELO in Slovene 18 Sep 95 p 1

[Commentary by Mitja Mersol: "Perry's Message"]

[FBIS Translated Text] U.S. Defense Secretary William H. Perry could not tell to his Slovene hosts (apart from the official host, Minister Kacin, some other people also fought for him rather blatantly) much more about bilateral relations than was already known on Saturday and yesterday. The relations between the United States and Slovenia in the defense sphere—especially here—are very good and would even be excellent had they not been hindered by the UN arms embargo. However, even though it does not have access to the U.S. arms' supermarket, Slovenia enjoys numerous other advantages within the framework of bilateral and multilateral projects, ranging from the training of our soldiers in the United States to access to U.S. expertise and information. "Shopping" for U.S. arms will also be organized soon, we only need to be patient for a little longer. This was all known already.

However, Defense Secretary Perry doubtlessly provided numerous details about the recent Croatian offensive in Krajina, the NATO attacks in Bosnia, and the latest (Holbrooke's) diplomatic action, whose initiators and executors the Americans are, for his Slovene collocutors. The greater pragmatism with which Clinton's administration ventured into the resolution of the conflict in Bosnia and Croatia and the optimistic tone of Perry's statements all clearly indicate that Washington has decided to accelerate the resolution of matters in the Balkans.

Parallel to this, it is also supposed that the resolution of Slovene-Italian relations will be accelerated, at least to a degree. The United States is trying to resolve the problems that span from the Greece-Macedonia [The Former Yugoslav Republic of Macedonia—FYROM] problems to the Slovene-Italian border in a broad swipe, to prepare the ground for the expansion of NATO's security system and to improve Clinton's rating at next year's elections. It is no coincidence that Perry, while listing the criteria for the admission of new members into NATO (democracy, a market economy, civilian supervision), often emphasized the importance of good neighborly relations and the mutual recognition of sovereignty, history, and tradition. Of course, his advice was not only directed at us, but perhaps primarily at Italy and perhaps even at Croatia.

Drnovsek Proposal to Valentic on Piran Bay Viewed

'Precondition for Everything'

AU2009170295 Ljubljana Radio Slovenia Network in Slovene 1330 GMT 20 Sep 95

[Report by Nadja Pengov on Slovene Prime Minister Janez Drnovsek and Croatian Foreign Minister Nikica Valentic meeting in Maribor on 20 September—recorded]

[FBIS Translated Text] [Pengov] Today's meeting represents a continuation of the talks held in Rijeka, Croatian Prime Minister Nikica Valentic said. We repeat once again that the problems are such that we harbor no ambitions to be able to resolve them with two meetings alone. They must be resolved gradually. Today we encompassed all aspects of the problems and concluded that a solution for the Piran Bay issue is, practically speaking, a precondition for everything else. The expert commissions, with the exception of nuances, naturally, reached an agreement on all open issues. We agreed that we will reply to Slovenia's proposals within 15 days, Croatian Prime Minister Valentic said. Valentic was pleased with the progress in trade, which was 30 percent higher this year. He also said that the package also contained other issues that were not interwoven, but that the countries were resolving simultaneously.

Prime Minister Janez Drnovsek confirmed that both governments were striving sincerely to find a way to reach an agreement. He agreed that the issues involved were serious economic and political issues indeed.

[Drnovsek] This is also the situation after today's talks, and it shows that we are actually very close a solution to all problems. We are only a step away from this solution. If we manage to make this last step forward, then we will be able to resolve all open issues—the border, including the border in Piran Bay, the Krsko nuclear power plant, the Ljubljanska Banka branch in Zagreb, and the property issue. If we do not manage this last step, then, of course, things could get complicated and we would continue to negotiate.

[Pengov] The agreement between Slovenia and Croatia is an important element of stability in the region, of which both sides are aware. For that reason, Drnovsek said, we will do everything to overcome this last difference. The Slovene side came up with a proposal and now awaits a reply.

At this stage of the talks, Dr. Drnovsek did not wish to comment on the contents of the Slovene proposal. Valentic replied that these truly are very complicated issues, that Zagreb sincerely wants a solution, and that they will study the Slovene proposal and reply to it.

General Traits of Proposal

AU2109153595 Ljubljana Radio Slovenia Network in Slovene 1330 GMT 21 Sep 95

[Report by Nadja Pengov—recorded]

[FBIS Translated Text] During yesterday's talks of the high government delegations of Slovenia and Croatia in Maribor, the Slovene side presented Zagreb with a proposal of the border in Piran Bay. The Croatian side took 15 days to study the proposal and reply to it. When we inquired about the contents of the proposal, we received no answer, because, as the prime ministers said, this was a legally and politically very sensitive question, on which they could not comment at this stage of the talks.

At the same time, both prime ministers indicated that the Piran Bay was the key issue upon which a resolution of all controversial issues in the bilateral relations in a package depended and also that only one step was needed yesterday that, however, as we all known, was not made.

Today, we managed to learn unofficially about the general traits of Ljubljana's proposal to Zagreb, which is based on the hitherto work of the border commission. According to this proposal, the border in Piran Bay would, for the first time, follow the line of the current police control, 278 meters from the Savudrija coast. Another thing is direct territorial access to the open sea, which practically means that Croatia, if the proposal is accepted of course, would control a narrow strip of the Savudrija coast while the supervision of a great part of Piran Bay would go to Slovenia, as well as access to the open sea via the Slovene maritime territory. As we have learned, the platforms of both countries on the above issue have drawn a lot closer recently. Some even judge that the whole package could have been wrapped up in Maribor yesterday, which would end the painstaking negotiations that have been underway since the independence of both countries, had the news about the dissolution of the Croatian Sabor not arrived in Maribor during the talks. This could also mean that the answer from Zagreb will not be forthcoming within 15 days despite yesterday's assurances.

Debt Settlement to Paris Club Determined

AU2109170795 Ljubljana Radio Slovenia Network in Slovene 1330 GMT 21 Sep 95

[Report by Suzana Kos]

[FBIS Translated Excerpt] During the years of its independence, Slovenia has not managed to cut all ties with the former joint state. For example, we are still resolving the open issues with the foreign commercial banks. The government today determined the way in which we would regulate our credit relations with the 16 countries that are members of the so-called Paris Club. The unpaid loans to these creditors that will fall on the shoulders of our state amount to nearly $490 million, of which approximately a half represents debts whose final user is not known. As it is known, our country will assume slightly more than 16 percent of the total unallocated debt to the Paris Club. The debts left over from the times of the former federation will be settled by their final users or their legal successors. Among such companies are Aero, Fructal, and Yulon. If the users will not be able to pay their obligations, their banks will pay them, that is, the banks that are the direct debtors to the foreigners.

The $250 million of the unallocated debt will, of course, be added to the public debt. The exact figure will only be known once bilateral agreements with all creditors are signed. [passage omitted]

Federal

Milosevic Discusses Peace Process With Bildt

LD2109171495 Belgrade TANJUG Domestic Service in Serbo-Croatian 1629 GMT 21 Sep 95

[FBIS Translated Text] Belgrade, 21 Sep (TANJUG)—Slobodan Milosevic, president of the Republic of Serbia, today received Carl Bildt, cochairman of the International Conference on Former Yugoslavia. Views were exchanged on the current peace process.

They were both convinced that the latest efforts and political activities, directed at reaching peace between the warring sides on Bosnia-Herzegovina soil, will finally yield fruit, crowning the negotiating process launched by the U.S. initiative with an overall political solution and establishing peace at an international conference, which is expected soon.

It was pointed out that the international community should at this stage resolutely stand by its commitment for ending the civil war in Bosnia-Herzegovina, genuinely support efforts for the return of peace and stability to the Balkans, and encourage economic and overall recovery in the region.

Milutinovic: Most of Bosnia Issues Resolved

AU2209110195 Paris AFP in English
1031 GMT 22 Sep 95

[FBIS Transcribed Text] Paris, Sept 22 (AFP)—The foreign minister of the rump Yugoslavia, Milan Milutinovic, said here Friday [22 September] that 80-90 percent of issues connected with conflict in the former Yugoslavia had been resolved.

"Eighty to 90 percent of the issues have been settled," he told AFP, referring to a September 8 agreement reached in Geneva between the three warring sides in the conflict.

They agreed to accept as a starting point for discussions an international plan dividing Bosnian territory roughly half and half between the Serbs and a Moslem-Croat federation.

Milutinovic admitted that the seizure of Serb-held land in western Bosnia in a recent joint Moslem-Croat offensive "approximated with the (international) peace plan, but some territory must be handed back."

The federation now holds about 50 percent of Bosnian land since it launched a Croatian army-backed offensive about 10 days ago.

The peace plan, worked out by the "contact group" of Britain, France, Germany, Russia and the United States, gives 49 percent of Bosnian territory to the Serbs and 51 percent to the Moslem-Croat federation.

The foreign minister of the rump Yugoslavia, which comprises Serbia and Montenegro, also refused to consider a capture of the Serb-held city of Banja Luka in northwest Bosnia as a "casus belli" which would trigger intervention by Belgrade's armed forces.

Croatian army troops and forces of the Moslem-led Bosnian government have announced the end of their offensive in western Bosnia.

Milutinovic also said he was opposed to the division of Sarajevo which "must be the Moslems' capital, to prevent Tehran or Ankara from becoming so."

But, he added, the outskirts of the Bosnian capital, home to some 120,000 Serbs, must be "linked to the rest of (Bosnian) Serb territory."

Milutinovic's comments came as Croatian President Franjo Tudjman was due to meet his Bosnian counterpart Alija Izetbegovic in Zagreb Friday.

Foreign ministers from Croatia, Bosnia and Yugoslavia along with the contact group are scheduled to meet in New York Tuesday for more talks on the Bosnia peace accord.

Milutinovic: Location of Downed Pilots Unknown

AU2109175395 Paris AFP in English
1733 GMT 21 Sep 95

[FBIS Transcribed Excerpt] Paris, Sept 21 (AFP)—NATO warplanes have made three attempts to rescue two French pilots downed while bombing Bosnian Serb targets in Bosnia, Defence Minister Charles Millon said Thursday.

He told a meeting of the Senate foreign, defence and armed forces committee that the pilots, shot down at the end of last month, "could be in the hands of the Bosnian Serbs," implying that authorities are still unclear of their whereabouts.

He did not say whether further attempts had been ruled out to rescue the pilots, who were shot down on August 30 over the Bosnian Serb stronghold of Pale at the start of the recent NATO air strikes.

Yugoslav Foreign Minister Milan Milutinovic meanwhile said he did not know where the pilots were. Speaking after talks here with President Jacques Chirac, Milutinovic said, "We do not know where they are. If we knew, we would provide immediate assistance, without restriction."

The Yugoslav minister added: "I would have been the happiest of men to have been able to bring them here by plane."

One of the pilots is believed to have sustained leg injuries.

According to officials who reported proceedings of the closed-door session, Millon said: "The first two operations, using American helicopters and a mixed Franco-American crew, were not successful because of the weather."

The third operation failed because of "heavy gunfire" from the Bosnian Serbs.

Millon said he had personally "ordered the NATO operations, as minister of defence, to go and find them." He confirmed that they were being held captive by the Serbs, but gave no further details.

He added that Serbian President Slobodan Milosevic had pledged to be the "guarantor of the fate of the pilots" during conversations with Chirac. The two men had spoken "on several occasions," he said. [passage omitted]

Commentary on Serb Withdrawal of Heavy Weapons

LD2209101095 Belgrade TANJUG Domestic Service in Serbo-Croatian 1004 GMT 21 Sep 95

[Commentary by TANJUG foreign affairs editor Zoran Jevdjovic, entitled: "The Serbs Have Fulfilled Their Obligations"]

[FBIS Translated Text] Belgrade, 21 Sep (TANJUG)—The United Nations and NATO have announced that the Serbs in Bosnia have fulfilled their obligations under the agreement signed six days ago by withdrawing their heavy weapons from around Sarajevo.

Likewise, Butmir airport [in Sarajevo] has been made available for use by the United Nations, and roads in the Sarajevo region have been opened to aid organizations and the United Nations.

As a result of all this, as set out in last night's statement, General Bernard Janvier and Admiral Leighton Smith concluded that they will suspend the air attacks on the Serbs.

At the same time, the statement says, the Serbs expressed their readiness to hold talks on a cessation of hostilities, and they are being supported in this by the United Nations, which is asking all sides to embark on such negotiations.

The Serbs have fulfilled their part of the obligations, so one is fully justified in expecting that the Muslims will also do what is requested of them in keeping with the agreement—namely, that, as stated, they should call a halt to their offensives in and around Sarajevo. Although previous experience unfortunately shows that the Muslim side's promises cannot be trusted, one should hope that the positive contribution made by the Serbs will certainly be beneficial to the Serb representatives' further efforts in the peace negotiations.

Furthermore, the scope for the Serb side to be accused—in some new, potentially critical situation—of having committed some new "Markales" [recently shelled Sarajevo market place] has been removed. As we have seen up to now, these have most frequently been the reason for adopting decisions with much more far-reaching consequences.

The bias of many factors in the international community has been easily discernible so far, and to some extent one must count on this being the case in the future too. Nevertheless, one should be aware that a solution cannot lie in a conflict with the most powerful elements on the international political scene, even if their demands are unfounded and their manipulation is obvious.

Even much bigger states cannot find ways of confronting political force and dictatorship. So we are left with diplomatic wisdom and steadfastness on the battlefield, because probably for some time to come the Serbs will have to defend themselves from those forces which want try and continue the clashes and destabilize the overall Serb national area.

So the Serbs have met the demands which were supported by the most powerful Western forces. It is now up to these forces, above all in the framework of the U.S. initiative, to ensure compliance on the part of their proteges, something they certainly can do. This is the only way to continue the constructive efforts which will bring about results at the negotiating table.

The Geneva agreement, as has been repeated in Yugoslavia many times before, represents a very good basis. It is generally assessed that it should not be threatened, because it is in the interests of all the warring sides, now more than ever before, to see an end to the war and a resolution of the crisis in Bosnia.

Government Criticizes Croatian Ethnic Cleansing

LD2109145295 Belgrade TANJUG Domestic Service in Serbo-Croatian 1340 GMT 21 Sep 95

[FBIS Translated Excerpt] Belgrade, 21 Sep (TANJUG)—The Yugoslav Government in its session today presided over by Prime Minister Radoje Kontic, examined measures and activities regarding the systematic destruction, pillaging, and confiscation of property belonging to Serbs who have been evicted from the Republic of Serb Krajina and Croatia and also the property of citizens of the Federal Republic of

Yugoslavia in Croatia. Thus says a statement issued by the Federal Information Secretariat.

On a proposal from the Federal Ministry of Foreign Affairs, and on the basis of discussions held at sessions of its working bodies, the federal government has established concrete tasks for the relevant state bodies to take diplomatic, political, and legal measures and activities, particularly with regard to the so-called temporary seizure and management of the property of Serb refugees by Croatia.

This, as the government has concluded, represents a crude trampling on the sacred international law on the inviolability of private property.

The federal government has again on this occasion assessed the law as a legal means used by the Croatian authorities to implement the ethnic cleansing policy, with the final objective of completely eliminating the Serbs from the Republic of Serb Krajina and Croatia.

Undoubtedly this does not contribute to the peace process, nor to the creation of conditions for the return of evicted Serbs from the area of the Republic of Serb Krajina and Croatia, which is guaranteed by UN Security Council Resolution 1009. [passage omitted]

Article: Price Explosion Expected in Fall

95BA0341A Belgrade EKONOMSKA POLITIKA in Serbo-Croatian 7 Aug 95 p 17

[Article by V. Stevanovic: "Prices—Start of the Stampede?"]

[FBIS Translated Text] After seven months of its "taking effect," not even "stone on stone" remains of the economic policy proclaimed for this year, which foresaw price stability and a 9-percent growth of industrial output. Output has been dropping continuously since last October, while prices, in spite of several propaganda campaigns about "rolling them back," have stubbornly followed an upward trend at an average monthly rate of 5.8 percent.

The most recent statistical data on the 6.6-percent rise in July retail prices simply fit into the scenario that professional circles "saw" back at the beginning of the year. Assuming there is no essential disruption of this growth trend of prices in coming months, which would be the optimum variant, inflation at the annual level will exceed 100 percent. Unfortunately, there are many indications that the real price "boom" awaits us only in the fall, which, in spite of the restrictive monetary policy that has been rightly conducted up to now, will be difficult to prevent. But because there is still time until then, what actually happened to prices in July?

The official communication of the Federal Bureau of Statistics presented in the regular news conference says that "the July rise of retail prices was characterized by more expensive services and also the seasonal drop in the prices of agricultural products." More precisely, services rose 11.6 percent over June, nonfood industrial products rose 7 percent, and products of the food-processing industry 8.6 percent. The situation was saved to some extent by the open-air market, where the seasonal drop of farm products was no less than 24.1 percent.

If those same figures are compared to last year's average, prices have risen 69.4 percent, with increases of 91.8 percent for services, 67.6 percent for nonfood industrial products, 60.6 percent for products of the food industry, and 47.2 percent for agricultural products.

Because the official statistics also provide data on trends in the cost of living, not only analyses of changes in retail prices, here are these indicators: In July, the cost of living was 5.1 percent higher than in the previous month and 71.9 percent higher than last year's average. The explanation as to why the rise of the cost of living was smaller than the rise of retail prices in July lies in the seasonal drop in the prices of farm products, which we mentioned.

Taken by regions, an interesting phenomenon has been recorded: Retail prices in July rose more slowly in Montenegro (5.9 percent) than in Serbia (6.7 percent), and the cost of living followed the same pattern (4.2 percent as against 5.3 percent in Serbia). Usually, there has been a quite significant rise in prices in the summer months in Montenegro because of the tourist season. The datum would, in any case, repay a more serious analysis.

After July, are we entering an inflationary autumn, when the monthly growth rates of prices will be double-digit? Surveys of business people conducted by domestic economic institutes indicate, in fact, that this is taken for granted. Why this is so is explained very pithily by this assessment recorded in the June issue of MAP of the Institute of Economic Sciences: "The danger of inflationary pressure being intensified, that is, of inflation speeding up, arises from the announcement of a rise in the rate of contributions for old-age and disability insurance, and then from the real possibility that monetary policy will become accommodating, because it is subjected to high pressure by the condition of the banking system, and from the fact that the bulk of debt is not being serviced and most of primary note issue has essentially been committed irrecoverably to selective purposes (the bulk of credit is being rescheduled or continuously rolled over along with the interest)."

What will economic policy do in the face of this serious and threatening possibility? Danilo Perovic, vice president of the Yugoslav Chamber of Commerce, was very direct in the last meeting of the board of directors of that association: "Inflation at an annual level of 100 percent could not be controlled in either theory or practice. We should bear in mind that administrative restrictions in the past have yielded almost no results at all. That is why the entire economic battle should be waged not on the quantitative field, but on the qualitative field; that is, we should fight the causes, not the consequences."

The answer to the question of what the total rate of inflation will be at the end of the year depends largely on what approach becomes predominant in official policy. Stated more precisely, the question is by how much 100 percent will be exceeded.

Maintenance of Electric Power Industry Failing

95BA0341B Belgrade EKONOMSKA POLITIKA in Serbo-Croatian 7 Aug 95 p 18

[Article by Z. Stanojevic: "Electric Power: Overhauls Slowed Down"]

[FBIS Translated Text] The energy budget for this year foresaw overhauling about 50 percent of the total capacity of the EPS [Serbian Electric Power Industry]. That was supposed to guarantee operating readiness of equipment for the production of coal and electric power within the limits envisaged by the budget for this year: 32.7 billion kWh [kilowatt-hours] of power and 39.3 million metric tons of coal.

The money envisaged for these purposes in the amount of 380 million dinars (including 90.5 million German marks [DM]) was supposed to come from the higher rates of electric power, intervention loans of the NBJ [National Bank of Yugoslavia] (about 150 million dinars), and credits from commercial banks (about 50 million dinars). There were also plans for the NBJ to lend the EPS about $50 million from permanent foreign exchange reserves to import essential spare parts and production supplies from abroad. These last three sources of funds will definitely not be forthcoming! What has been obtained on the basis of the higher rates of electric power has not yielded the anticipated results because the decision to raise rates was made only in late May, and its effects were felt only in the second half of July, when there had already been a general rise of prices. What is more, there has still been no decision to provide foreign exchange to import replacement parts. The claims of the EPS on the basis of electric power sold have reached 189 million dinars (the economy owes 73 million, and household about 116 million).

So far, about 30 percent of the entire preventive maintenance plan has been completed. The largest amount of work was done on the TETO (Vojvodina power plants about 80 percent), TENT A and B (Obrenovac), and the Kolubara Thermal Electric Power Plant. The least amount of work has been done on hydroplants, because according to the plan, as scheduled, they were to do their overhauls in the third quarter (August and September). Nevertheless, there is still tardiness in commencement of operations, that is, the progress of the work is slower than planned. The greatest problems have to do with major overhauls of turbine units in thermal electric power plants, because these operations are still being postponed, or they have already been abandoned. It is also important that where overhauls have been done, they did not include all the operations planned, and this could affect the level of reliability in operation of the units during the winter.

At strip mines (coal mining and removing of overburden), work is being done at an uneven pace. The situation is somewhat better in Kolubara and Kostelac as compared to Kosovo, where conditions have not been brought about to commence work on the devices and equipment for removing, transporting, and dumping the overburden.

There is a characteristic shortage of a wide assortment of spare parts and imported production supplies, but also of those produced within the country. This shortage is particularly pronounced at the Kosovo JP PK, where the problem is the shortage of funds for performance of the contract to overhaul two large BTO systems for removing overburden. It is estimated that if the necessary dinars and foreign exchange are furnished in time, then the planned overhauls could be performed in Kolubara and Kostelac, while a reduction of the scheduled work is inevitable in Kosovo.

Of the 12 systems for removal of overburden (BTO) that were planned, only four have been finished, and that was incomplete. Much the same is true of coal mining: Of the 10 systems (BTD) planned, only five systems were finished, but incompletely, and only one was entirely finished. Here again, the reason lies in the lack of money, but also the exhaustion of inventories of spare parts and production supplies and restriction on procuring them.

The amount paid for overhauls and other preparations of electric power facilities was 51.2 million dinars, which is more than the total inflow of funds for those purposes. This means that obligations have mostly been charged to funds envisaged for payment of earnings and other payments. That has delayed meeting the payroll (and that is why the Trade Union of the EPS adopted a decision to announce a strike) and the settlement of other due obligations to the budget, to funds, and to banks.

The inflow of financial resources for these purposes on the basis of the economic policy measures adopted amounts to only 2 million dinars. The funds obtained on the basis of advanced sale of electric power amount to 5.8 million dinars (up to the end of July). A larger inflow of financial resources is expected during August and September.

Street Vendors To Be Banned From Belgrade

95BA0341C Belgrade EKONOMSKA POLITIKA in Serbo-Croatian 7 Aug 95 p 19

[Article by Z. Mihic: "Evolution of the Gray Economy: The Sunset of the Boulevard"]

[FBIS Translated Text] By the end of September, all 400 stalls are to be "purged" from Revolution Boulevard, one of the best known commercial streets in Belgrade, and the boulevard is to be returned to its previous condition (no one knows exactly what that is). If that actually happened, and the message from the mayor's office is that it will, then the boulevard will become the first street of our definitive divorce from the gray economy that has been smothering us and shaming us for three years now.

For those whose memory is poor, we will recall that in March of last year there was already one "purge" on the boulevard. At that time, that is, the police raided the wooden stalls overnight and loaded the cardboard cartons and all that street equipment onto trucks headed for the dump.

From the esthetic standpoint, this move of the city fathers was acceptable and justified; however, what is to be done with the people? Some solution had to be found for the workers on mandatory leave, for the poor citizens who have found here through smuggling and gray trade the only way of buying underwear, socks, deodorants, and soap for themselves. And a solution has been found.

The Conditions

The city government has prescribed the following conditions for retailing on the boulevard: Standardized stalls (a single design from a single manufacturer) will be set up on the sidewalk from Vuk's Monument to Djeram Market. Rent (200 dinars a month) is paid for their use. The merchants who set up here must have a registered store or enterprise for the goods they sell. Each of them will keep tax books, will pay all charges, and will report workers who work for them, the turnover tax, and all the rest.

Of the 700 street sellers who were on the boulevard, about 400 have accepted these conditions of the City Assembly and soon will be organized in a separate Association of Boulevard Street Vendors, which has even established its own board of directors.... So, a true street enterprise.

In February, we attended a conference on the gray economy in which a very notable paper was delivered on the boulevard model by the chairman of the board of directors of these street vendors. The ministers for enterprise and trade attending from Serbia and Montenegro praised this example as a real solution for the swollen flows of gray trade in the Federal Republic of Yugoslavia.

All of this gave the impression that the gray economy on this busiest street would be returned to legal operation, and that this trade would be taxed and that its participants would be brought back to order and the law, which would be good for them, for the citizens, and for the state. However, then things came to a crossroads. This year, once again in March, the boulevard came under the direct jurisdiction of the City Assembly (no longer Zvezdara and Vracar Opstinas). One of the first moves of the city government was to raise the rent and shorten the lease. Under the new decision of the city, the rent of a stall (1 square meter) on Revolution Boulevard would cost 450 dinars a month, which was raised to 650 dinars a month in June. The rent is to be paid in cash within five days at the cashier's window of the Public Enterprise Municipal Markets.

Revenue

At this point, there are already 382 legal entities operating at the stalls set up by the City Assembly on the boulevard, and the city of Belgrade is collecting a fair-sized revenue from those stalls—larger, one would say, than comes from the business space of many opstinas in the city. It has been calculated that since March of last year the Association of Boulevard Street Vendors has strengthened the city budget by about 2.5 million dinars on the basis of rent alone.

To illustrate, the 382 square meters paid for by merchants on the boulevard bring the city monthly rent of 250,000 dinars, while Zvezdara Opstina obtains only 119,000 dinars from rent on about 29,000 square meters of business space!?

In late June of this year, the city government resolved to extend the leases on the stalls on the boulevard only until the end of September, and that is a clear hint of the "purge." The vendors on the boulevard are already becoming insecure, because on a three-month basis it is not possible to plan their business or their future livelihood, and they are writing a petition to the city government in which they request assistance and an explanation.

The Subway

The "subway" station at Vuk's Monument is officially being opened in mid-July. A few days after that, all the media are reporting on their main news of the day that according to information from the office of the mayor of Belgrade, Revolution Boulevard will have to be cleared of stalls by the end of September! There is still no answer from the city government.

In the Association of Boulevard Street Vendors, which we visited the other day, the atmosphere is one of uncertainty. "What will happen to us tomorrow?"

"We do not want a conflict, and we feel that Mr. Covic is not fully informed about everything," says Dragan Durasinovic of the board of directors of the boulevard association. "We would first like to learn why they want to remove us from the boulevard at this point. We assume it is to prepare the site around the station at Vuk's Monument, and we are ready to cooperate and to see the improvements. If necessary, to pave the sidewalk, to set up better-looking fences, new lighting, to make it like Knez Mihajlova Street. But we still have no answer from the city."

In a way, the city of Belgrade has been deceiving these people on the boulevard. It compelled them to establish their own businesses and firms, to undertake investments and contract debt, and now it is proposing bankruptcy to them. According to the story circulating on the boulevard, they have been offered space in the Beograd Department Stores, at the flea market, or in the mall that has been opened in New Belgrade, but they do not want to go there.

This form of street vending will probably exist on the boulevard for several years after the sanctions are lifted. After all, so long as prices in the "state" stores are two or three times higher for the same goods than on the street, people will naturally buy on the street. The attempt to "discipline" the gray economy on Revolution Boulevard has so far proved successful, but now it could be ruined by the same people who first imposed that discipline.

Serbia

Serb Radical Party Rally in Belgrade Viewed

'Defend the Serb Lands'

LD2109200395 Belgrade TANJUG Domestic Service in Serbo-Croatian 1902 GMT 21 Sep 95

[FBIS Translated Text] Belgrade, 21 Sep (TANJUG)—The Serbian Radical Party [SRS] held a meeting outside the federal assembly in Belgrade this evening.

The meeting, attended by several thousand people, was addressed by the party's leaders, deputies in the federal and republican assemblies, as well as by SRS officials from the [Bosnian] Serb Republic and the Republic of Serb Krajina.

During the two-and-a-half-hour meeting the speakers—in the spirit of their party's political traditions—voiced a series of accusations and insults at the expense of the leaderships of Serbia and Montenegro, and of some political parties and individuals.

Appealing to the Serb people resolutely to defend the Serb lands and to recapture the territories occupied by the Croats and Muslims, they kept stressing that the goal of their party is a Greater Serbia.

The meeting, which opened with a minute of silence for all the victims of "Ustasha and Muslim knives and NATO terror," and at which the SRS and Serb flags dominated the picture, ended without incidents.

Seselj Condemns Milosevic

AU2109200595 Paris AFP in English 1947 GMT 21 Sep 95

[FBIS Transcribed Excerpt] Belgrade, Sept 21 (AFP)—Thousands of people poured into the streets of the Serbian capital Thursday to denounce Serbian President Slobodan Milosevic for his policies on Bosnia and his reluctance to champion the pan-Serbian cause.

The demonstration, which police said attracted crowds of 10,000 but which organisers said 50,000 had attended, was called by the ultra-nationalist Serbian Radical Party of extreme right-winger Vojislav Seselj to "denounce the treason of Slobodan Milosevic, who has sold Serb land."

Seselj himself condemned Milosevic for failing to seize the chance to unite all Serbs in a single state, and called for his resignation.

"Serbia is run today by a lunatic, a psychopath who should be handed over to psychiatrists for his own good," Seselj ranted.

He also hit out at Bosnian Serb military chief General Ratko Mladic, who he said was being paid by Belgrade and only did what Milosevic wanted him to, thereby hampering the efforts of Bosnian Serb leader Radovan Karadzic. [passage omitted]

Citizens Alliance Warns of 'Destabilization'

AU2109194495 Belgrade NASA BORBA in Serbo-Croatian 21 Sep 95 p 2

[Report by I. K.: "More Than 20,000 Refugees Are Moving Toward Serbia"]

[FBIS Translated Excerpt] Belgrade—Events on the ground (in Bosnia-Herzegovina) are threatening to "bury" the peace initiative. If the Croatian and Bosnia-Herzegovina armies take more than 51 percent of the territory, this could lead to further clashes. This was stated by Zarko Korac, vice president of the Citizens Alliance of Serbia, at a news conference yesterday.

According to Korac, the collapse of the army of the Pale leadership could mean the destabilization of Serbia. Those who advocate the destabilization of Serbia, "and this can be heard in some circles in the West," are conducting a shortsighted policy. The "destabilization of the country would mean a danger for the entire Balkans. Serbia must be preserved as a guarantor of its democratization," Korac said. He stressed that the "patriotism" of those who want the Bosnian Serbs to continue to fight is false and antinational.

According to the information of the Citizens Alliance of Serbia, between 20,000 and 30,000 refugees from Bosnia are on their way to Serbia. "About 100,000 people who have fled to Banja Luka live in the open," Korac said. There are about 250,000 people currently in Banja Luka, which, as Korac, said, is considerable more than the number of Krajina residents who came to Serbia in August. He said that there are about 700,000 people on the territory held by the Bosnian Serbs. [passage omitted]

Serbian Aid Officials View Refugee Situation

In Country 'Temporarily'

AU2109194395 Belgrade RTB Television Network in Serbo-Croatian 1730 GMT 21 Sep 95

[Report by Marija Mitrovic]

[FBIS Translated Excerpt] At the beginning of October, the Serbian Government will pass a program of adequate care for the refugees, Branislav Ivkovic, president of the refugees' headquarters, and Serbian Refugees Secretary Bratislava Morina announced at a news conference in the Serbian Government today. Also, because some reception centers like Sombor and Apatin are overcrowded, the refugees will be retransferred so that all Yugoslav citizens and our entire economy would carry the burden as evenly as possible.

A registration of the abandoned property of the residents of the Serbian Krajina is currently under way, and the data will be forwarded to the international community:

[Begin Ivkovic recording] We see these refugees as being here temporarily, and we trust that the international community will create the conditions for their return. In any case, once the talks are completed and the guarantees defined, the refugees will be given absolute freedom to decide for themselves whether the guarantees offered by the international community are sufficient for them to return to their homes or whether they wish to stay here. [end recording] [passage omitted]

International Appeal Issued

AU2109190295 Paris AFP in English 1836 GMT 21 Sep 95

[FBIS Transcribed Text] Belgrade, Sept 21 (AFP)—Rump Yugoslavia is struggling to cope with the hundreds of thousands of refugees on its territory even as more displaced people head for its borders from Bosnia, a senior Serbian aid official said Thursday.

Serbia's refugee commissioner, Bratislava Morina, said international aid was arriving too slowly and was insufficient to cater for the 660,000 Serbs who fled to rump Yugoslavia (Serbia and Montenegro) from Bosnia and Croatia over the course of the four-year Balkan wars.

Appealing to the international community to boost what she described as "modest" contributions, Morina added that without further assistance, rump Yugoslavia could not cope with any.

"Why should Yugoslavia bear the responsibility for refugees from Banja Luka while the international community is largely to blame for what has happened to them?" Morina asked.

Banja Luka, the largest Serb-held town in Bosnia, is currently sheltering 20,000 refugees with as many as 60,000 more in the outlying region following a sweeping Moslem-Croat offensive into northern Bosnia launched September 9.

Some of the refugees headed further east from the Serb stronghold towards the border with Serbia, fearing a continuation of the Bosnian government and Croat push could threaten Banja Luka itself.

But Morina was adamant Serbia could not cope with more refugees, especially as Belgrade had received just

$100,000, 4,000 German marks and food and clothing worth $750,000 from international donor agencies until now.

Refugees now make up around 8 percent of the population in former Yugoslavia, with the latest influx of up to 180,000 people coming after Zagreb drove Serb separatists out of the Krajina region in southern Croatia.

'Split' Between Avramovic, Government Viewed

95BA0352A Belgrade EKONOMSKA POLITIKA in Serbo-Croatian 28 Aug 95 pp 14-15

[Article by M. Lakicevic: "Measure on Top of Measure"]

[FBIS Translated Text] *Governor Avramovic has announced his "bold economic program" while the Serbian Government has announced measures for "permanent stabilization of the market"; increasingly somber prognoses by Yugoslav businessmen; the message and lesson from the current situation: Conditions are best wherever the state has interfered the least.*

Is the split between the governor of the National Bank of Yugoslavia and the Serbian Government, which has been talked about in subdued tones for some time now, becoming public and open? Specifically, scarcely had Dragoslav Avramovic announced during an interview last Monday with journalists from TANJUG, POLITIKA, and NOVOSTI a "new, bold economic program," the draft of which he himself had prepared, when the very next day the Serbian Government (although admittedly in the person of the not exactly high-ranking deputy minister of trade) spoke out, promising for this week "measures to stabilize supplies and prices that must be regulated by the domestic market on a more permanent basis." Judging from that announcement, the economy should in fact only bring back prices so that everything will again be in order in the long run. The governor, however, based on his own (as well as others') analyses of economic conditions, has drawn much more far-reaching consequences, especially in terms of the need to open up the economy to the world and the need for privatization.

The majority of economists have long asserted that economic policy measures on their own have exhausted all their possibilities, i.e., that the Yugoslav economy can no longer be "put in order" through economic policy measures alone; what is needed are changes of a systemic nature, especially in the form of ownership transformation. It appears that the Serbian Government continues to think that the situation on the domestic market can be resolved by more or less fixing and perfecting the current mechanisms.

Governor's Self-Critique

In a completely unexpected move under such circumstances, Prof. Avramovic appeared last week at a news conference concerning the latest issue of KONJUNKTURNI BAROMETAR, the regular monthly publication of Belgrade's Economic Institute, which besides analyzing current economic trends also provides an overview of business attitudes, i.e., the expectations of Yugoslav businessmen. Although the governor arrived at the news conference an hour late, he then used the next hour to "drill" his interviewers and hosts, Miroljub Labus, Danko Djunic, and Nebojsa Savic. In fact, the governor had two questions: What model for privatization should be applied and, in this context, is the Montenegrin choice of vouchers good for Serbia too; and second, what should be the first step in this process.

What is the reason for this hasty turnaround in strategic choices and for Governor Avramovic's sudden affection for privatization? In the briefest analysis, this is a consequence of what has happened in the life of our economy since adoption of the Program of Monetary Reconstruction. Because as the governor himself said at the Economic Institute that the prices of agricultural products, except meat, have been stable for almost one year, energy prices (especially gasoline) are low, and wages are also low, but despite all this the prices of industrial products are rising irrepressibly. This fact—that the market is most stable in areas where there has been the least intervention through state measures, and that the production situation is worst in areas where attempts have been made to stimulate and achieve progress through loans and all sorts of other measures—prompted the governor to conclude (in a subdued voice): "Our entire policy is being drawn into question."

One response to this sort of situation in industry, the governor continued with his analysis, is to increase imports, but the governor feels that this is not realistic because of the blockade. The second response is to create competition from what is present on the domestic market, among domestic enterprises, and thus privatization.

The governor did not get a completely unambiguous answer to his questions. Labus was for vouchers (after the repayment of state debts), and Savic said that "the process must be opened up" and that "the possibility for all options" must be left open. Nevertheless, it was beyond dispute that privatization is necessary, and in terms of method "the best one is the one that can be implemented."

Pessimism

The only thing growing faster than the prices of our industrial enterprises' products is the pessimism of their directors. Specifically, in July, for the first time since KONJUNKTURNI BAROMETAR began publication, the attitude of businessmen with respect to the prospects of the Yugoslav economy was pessimistic. Last month, only 10.9 percent of businessmen believed in good prospects for the overall economy in the upcoming period, while in June that expectation was held by 18.8 percent. In contrast, the number of businessmen who have doubts is growing—from 18.6 percent in June to 21.5 percent in July.

The decline in production in July relative to the preceding month is still the thing that least concerns analysts. After all, they say, this is due to the regular seasonal drop in production, and so-called seasonally adjusted indexes show a growth in production of around 4 percent relative to the 1994 average. This in turn indicates that production this year will rise by around 3 percent compared to last year.

However, if the situation in production is not alarming, economists say that the alarm has long since sounded in the area of prices. In July the rate of inflation was greater that in the previous month, amounting to 6.6 percent. Especially worrisome in this area is the continuous rise in inflationary expectations, which have been going up for four consecutive months. The rise in prices and inflationary expectations indicate an increase in uncertainty in the system and the creation of a poor business climate.

Running in parallel with this is the sudden shock of debts, or unsettled claims, in July. Nearly half of all Yugoslav enterprises are overencumbered (49 percent of those surveyed have a high or too-high level of debt), while only 10 percent of enterprises have low debt levels. If one adds to this the prognosis that the level of debt or unsettled claims will rise in the coming months, then it is clear why Yugoslav enterprises feel that the risk of doing business will increase in the future. In July the indicator that reflects the sense of business uncertainty was the highest it has been since economic trends have been tracked in this way.

The central conclusion drawn from all this by the Economic Institute's analysts is that "there exists a stable, long-term trend of loss of confidence in the developmental possibilities of the Yugoslav economy on the part of those directly managing enterprises." The fact that Yugoslav managers have also "reacted more or less favorably to various economic policy measures" leads them to conclude that economic policy is not in question; rather, it is a matter of "long-term, systemic matters." "Economic policy measures are necessary, but they are not adequate; what is needed are changes in the economic system," to quote Miroljub Labus.

The Serbian Government has announced new measures "to stabilize prices and supply," while Governor Avramovic has announced a "bold economic program" including some radical systemic action. We will soon see whether these are parts of one package or are different—even opposing—concepts.

BULK RATE
U.S. POSTAGE
PAID
PERMIT NO. 352
MERRIFIELD, VA.

This is a U.S. Government publication produced by the Foreign Broadcast Information Service (FBIS). Its contents in no way represent the policies, views, or attitudes of the U.S. Government.

FBIS collects, translates, disseminates, and analyzes foreign open-source information on behalf of the U.S. Government. Its publications may contain copyrighted material. ***Copying and dissemination is prohibited without permission of the copyright owners.***

— Bracketed indicators before the first sentence of each item describe the way in which the material was processed by FBIS.

— Headlines and all bracketed explanatory notes are supplied by FBIS.

— Personal and place names are rendered in accordance with the decisions of the U.S. Board on Geographic Names as adapted by FBIS. Unverified names in radio and television material appear in parentheses and are spelled phonetically; words and phrases in parentheses preceded by a question mark are unclear in the original and deduced from context.

SUBSCRIPTION INFORMATION

U.S. Government Customers

For a list of FBIS products, to subscribe to an FBIS publication, or to indicate a change of address contact:

FBIS
P.O. Box 2604
Washington, DC 20013-2604
Telephone: (202) 338-6735
FAX: (703) 733-6042

Non-Government Customers

Subscriptions are available from the National Technical Information Service:

NTIS
5285 Port Royal Road
Springfield, VA 22161
Telephone: (703) 487-4630
FAX: (703) 321-8547

New subscribers should expect a 30-day delay in receipt of the first issue.